World

America's Magazine of World Events

DEC. 1953

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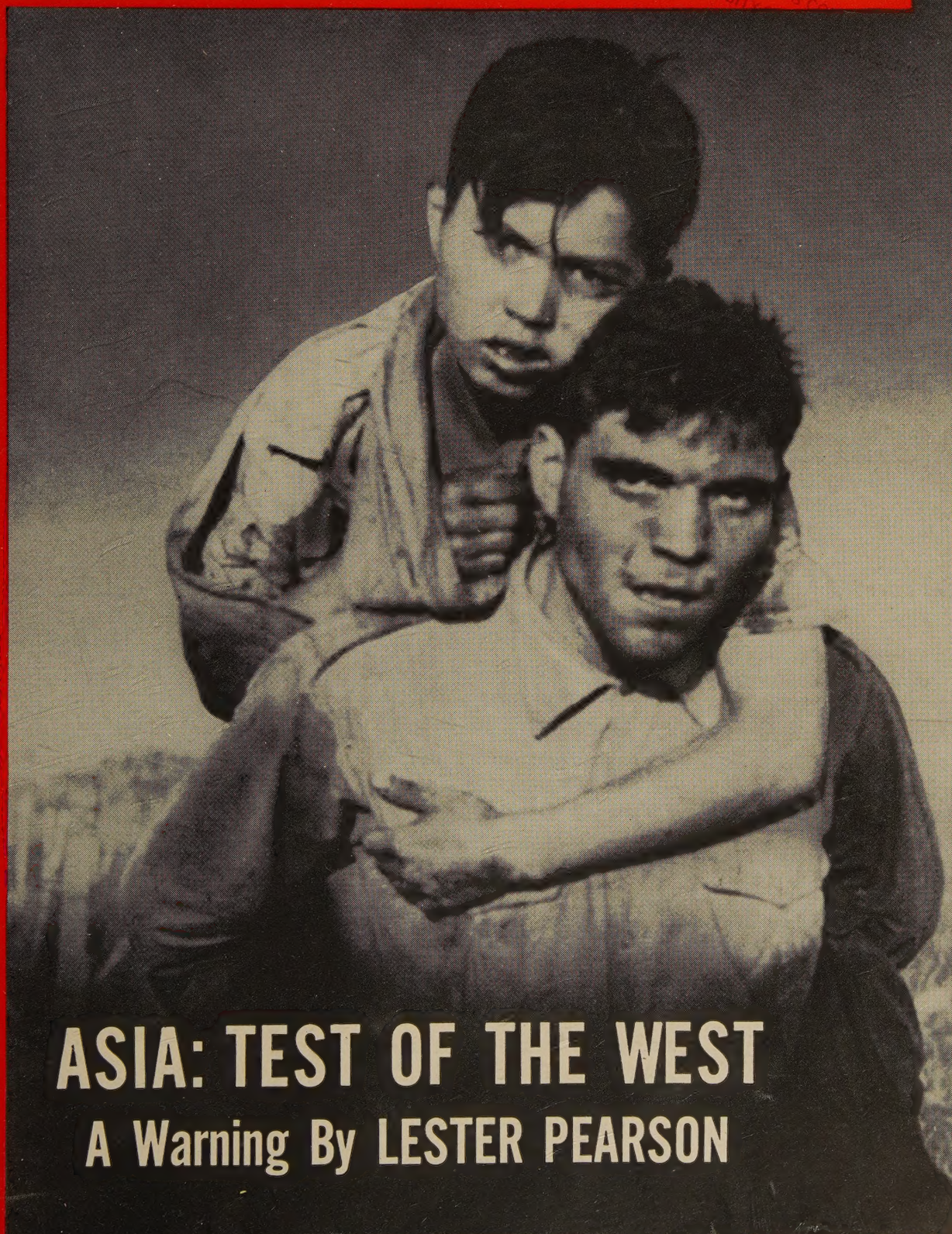
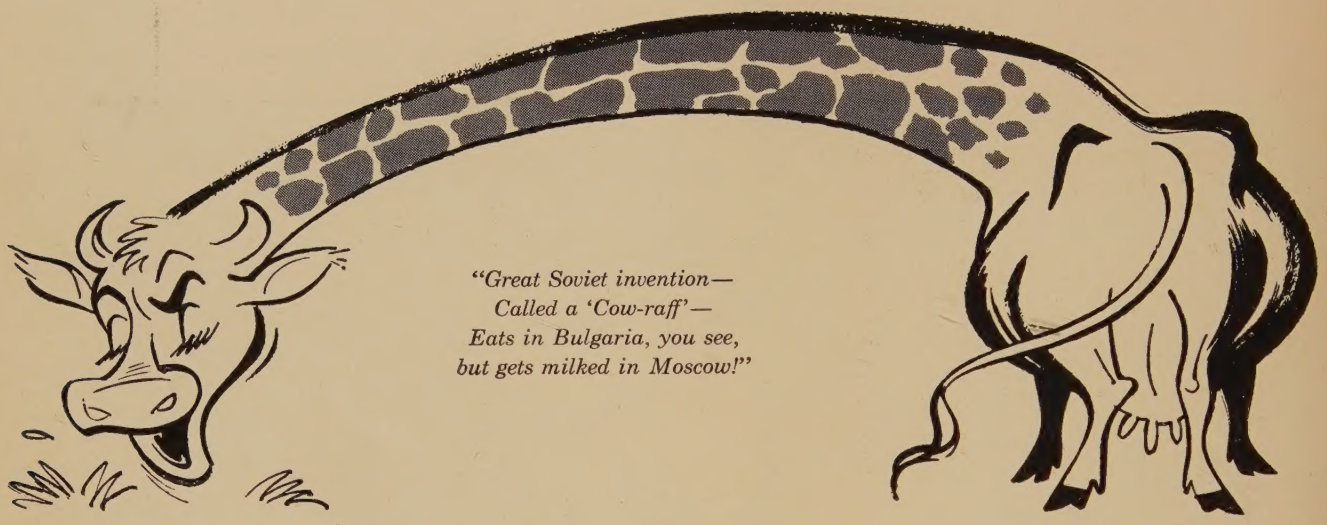


ASIA: TEST OF THE WEST

A Warning By LESTER PEARSON

Heard the one about the "Cow-raff"?



"Great Soviet invention—
Called a 'Cow-raff'—
Eats in Bulgaria, you see,
but gets milked in Moscow!"

The Kremlin doesn't think it's funny, but it's going big in Bulgaria!

People who can still laugh aren't licked.

And there are six nations of that kind of people between the free West and Russia. 70 million of them. We're mighty fortunate that there are! In Czechoslovakia, Poland, Hungary, Bulgaria, Romania and Albania.

Captured—but not licked. And fighting back

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World Correspondents Cable:

What's Ahead

SEOUL – The aging Syngman Rhee is gradually losing his hold on South Korea's political and military leaders, much to the relief of US officials, who fear above everything else that he may carry out his threat to renew the war.

The people's reluctance to renew hostilities is increasing, and anti-Rhee political elements are raising their heads for the first time in many months despite the recent shake-up of police and youth organizations.

It is expected that eventually Rhee's place will be taken by some pro-US military leader.

BANGKOK – Thailand, the probable next target on the Moscow-Peking Southeast Asia timetable, will receive joint US-British aid against either external or internal Communist aggression.

Final understanding on this was reached in hugh-hush Singapore talks between US Ambassador to Thailand William J. Donovan, wartime OSS chief, and British High Commissioner Sir Gerald Templer, credited with breaking the back of the long-smoldering Communist revolt in Malaya.

As a first step, military cooperation between Malaya and Thailand will be greatly increased.

Most immediate external threat is the expected imminent renewal of the Vietminh attack on Laos, Indo-Chinese kingdom which lies along Thailand's eastern frontier.

As a counter-measure, Bangkok insiders say that Premier Pibul Songgram shortly will bring the Indo-Chinese situation before the UN as a threat to peace.

He had planned to take this action last spring, but was dissuaded by Paris.

OTTAWA – Canadian Prime Minister Louis St. Laurent is contemplating retiring next year.

If he does, his successor is expected to be either External Affairs Secretary Lester B. Pearson or Finance Minister Douglas C. Abbott.

NEW DELHI – Communist China is building two military highways linking China proper and Soviet Siberia with Tibet, India's northern neighbor, making it possible for Moscow and Peking to move huge masses of troops by truck to India's frontier.

One road links Tibet with the upper Yangtze valley near Chungking, and the other runs due north from Lhasa, Tibet's capital, across Tsinghai Province to Soviet-dominated Chinese Turkestan.

Both roads are reported nearly ready for use, with hundreds of thousands of coolies slaving to complete them.

The New Delhi government consequently awaits with increasing nervousness the "friendly talks" on Tibetan border problems scheduled to open in Peking in mid-December.

LONDON – Queen Elizabeth II, who is twenty-seven, plans to rejuvenate her court by replacing the present aging dignitaries.

The age limit for members of the immediate royal entourage on the Commonwealth tour has been set at thirty-four.

PARIS – The Communists, in an all-out effort to block French adherence to the European Defense Community, have pledged that their 116 members of the National Assembly and the Council of the Republic will vote for the Presidential candidate "most opposed to a revival of the Wehrmacht"--the rearming of West Germany.

A successor to President Vincent Auriol will be chosen by the two bodies in joint session just before or just after Christmas.

ACCRA – The Gold Coast's expected application for dominion status may lead to a constitutional crisis threatening the present structure of the British Commonwealth.

Unanimous Commonwealth consent is needed before a territory or colony can become a dominion, and it is a foregone conclusion that Prime Minister Malan's Negrophobe South African government will veto the application.

Should London approve it anyway, it would give Malan a pretext to carry out his threat to secede from the Commonwealth.

HONG KONG – A new Far East crisis--this time between the USSR and Chiang Kai-shek's Formosan government--may result from the seizure by Nationalist naval forces of the mainland-bound Polish freighter *Paca*.

At the very least Moscow, which recently has enlarged its force of Siberian-based cruisers and destroyers, is expected to provide naval and air escort for such vessels in the future.

Seaborne trade by satellite vessels between Communist Europe and Communist China is of

major importance in the economic plans of both the USSR, which needs China's raw materials, and Peking, which needs East Europe's heavy machinery to industrialize.

It is not expected, however, that the Red vessels will make any direct attack on US-protected Formosa, since this might precipitate world war.

Hong Kong shippers are watching the situation with wry interest, since a number of British-registered ships carrying non-strategic cargoes to Red China were seized by Chiang's sea "guerrillas" before London took any action.

LONDON – Aneurin Bevan will be named Foreign Secretary should Labor win the next British elections, according to a secret compromise agreement believed to have been reached between Bevan's leftist followers and party leader Clement Attlee.

In return, Bevan is said to have promised to give full support to NATO and drop his hostility to the United States.

PARIS – Relations between the Papal Curia and the French hierarchy are being strained by the activities of France's "workers' priests," whom the Vatican considers too leftist.

The priests are supported by France's leading prelates for "tearing down the walls between the Church and the toiling masses."

The conflict may lead to abolition of the French Embassy to the Vatican and also to a revival of Gallicanism, the seventeenth century movement for greater French church autonomy within the Roman Catholic framework.

MADRID – Most of all the $141 million US military aid allotted to Spain for the current year will be spent on re-equipping Franco's ground forces--not on bases, as originally planned.

NEW DELHI – The Indian government plans "positive action," probably an economic blockade, to force cession of the remaining Portuguese and French enclaves--the last remnants of foreign rule.

Most important are Portuguese Goa, south of Bombay on the Indian Ocean, and French Pondicherry, south of Madras on the Bay of Bengal.

LONDON – General Sir Gerald Templer, British High Commissioner who crushed Malaya's Communist revolt, is expected to succeed Field Marshal Lord Montgomery as Deputy Supreme Commander, SHAPE, some time next year.

BELGRADE – Despite the new democratic electoral law, there will be contests for only about a dozen of the some 300 parliamentary seats at stake in Yugoslavia's November 22 elections.

Popular excitement over the Trieste crisis turned nominating meetings into patriotic rallies, with the result that hardly any opposition candidates were named.

HONG KONG – Peking reports state that Moscow-backed General Peng Teh-huai, who commanded the Chinese "People's Volunteers" in Korea, shortly will become head of all Red China's military forces.

While Civil War hero Chu Teh may remain nominal commander-in-chief, all real authority will be vested in Peng.

Chu was absent from the rostrum when Peng delivered his official report on the Korean fighting to Chief of State Mao Tse-tung--and such absences are highly significant in Communist countries.

LONDON – Sir Winston Churchill, still smarting over the exclusion of Britain from the ANZUS (Australia, New Zealand, US) Pacific pact, is pressing for a British-headed Asian defense agreement, to which the Commonwealth nations, other free countries and the US will be asked to adhere.

GEORGETOWN – An interim single-chamber government, with all members appointed by Governor Sir Alfred Savage, will be set up during December to replace the pro-Communist Cheddi Jagan cabinet, ousted when British Guiana's new constitution was suspended.

No new constitution will be drawn up until the Commission of Enquiry, expected from London early next year, completes its report.

PARIS – France is continuing secret efforts to negotiate a peace in Indo-China despite Vice President Nixon's Hanoi statement that the US would not welcome an arranged truce.

However, the only response so far received from Ho Chi Minh's representatives is that the Communist-supported Vietminh forces will not attack the French troops during their withdrawal.

FOR WHAT'S AHEAD IN WORLD BUSINESS, SEE PAGE 71

LETTERS to the Editor

[A first issue is for a magazine what a première is for a play. Here are some of the reviews.—THE EDITORS]

The high caliber of this first issue augurs well for the success of your meritorious undertaking.

LUIS MUNOZ-MARIN
Governor of Puerto Rico
San Juan, P.R.

Before I saw WORLD I would have said, "The magazine field already is overcrowded. Anyone who starts a new one is plumb crazy."

Since I have seen WORLD, I concede that there is a definite place for such a publication. There is certainly nothing like it that I know of.

Without any fancy words, let me say simply: I like WORLD very much.

EUGENE F. HOFFMAN
Vice President, Public Relations
American President Lines, Ltd.
San Francisco, Calif.

We want to compliment you and your staff on the first edition of WORLD.

The make-up of the book is in keeping with the best that our country produces. A new magazine on world events will find ready acceptance.

GEORGE E. BOUNDS
Director, Publicity-Advertising
Delta-C&S Air Lines
Atlanta, Ga.

All I can say is that your greatest problem is going to be to maintain the high editorial standards and pace of the November issue.

It is extraordinary that your first issue should have so many pieces of front-page importance. I found particularly worthwhile the Reuter testament, Alfred Duff Cooper's piece on Churchill and Olivetti's penetrating analysis of the Italian situation.

It is good in these days of problems and challenges affecting the destiny of our whole civilization that WORLD has come up with a contribution at such a high level to help people understand their time and the importance of world issues.

J. R. COMINSKY
Publisher, *The Saturday Review*
New York, N. Y.

I think you certainly met, with this first issue, the challenge you had accepted. It is a wonderful magazine.

The article about the United Nations is one of the most clear, frank and accurate studies that I have read of what really happens at the United Nations and I wish to congratulate you.

FRANCISCO URRUTIA
Permanent Representative of Colombia to the United Nations
New York, N. Y.

My best wishes for the great success of this new magazine.

HAROLD E. STASSEN
Director, Foreign Operations Administration
Washington, D. C.

I found WORLD very informative; it should be beneficial to executives in industry.

It also should find a ready acceptance among Americans.

C. F. STEINMETZ
Vice-President, The Cincinnati Time Recorder Company
Cincinnati, O.

I have gone over the whole issue and found that its contents are as varied as they are factual and informative.

Your magazine so faithfully interprets world events in their practical significance that leaders in industry, government and the professions will more and more find great need of it.

SALVADOR P. LOPEZ
Philippine Mission to the United Nations
New York, N. Y.

I wish to extend my cordial compliments on the splendid make-up and impressive group of articles.

There should be a very definite

WORLD, America's Magazine of World Events, November 19, 1953, Vol. 1, No. 3, published semi-monthly by U.N. World, Inc. Editorial and Executive Office, 319 East 44th Street, New York 17, N. Y. Re-entered as second class matter October 1, 1953, at the Post Office at New York, N. Y., under Act of March 3, 1879. Subscriptions $6.00 per year; $11.00 for two years. Foreign postage $1.50 a year. Printed in U.S.A. Copyright 1953 by UN World, Inc. All rights reserved.

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from **India:** Frank Moraes, editor of the *Times of India*, the country's leading English-language daily newspaper.

from **Yugoslavia:** Eric Bourne, veteran British correspondent, formerly German bureau chief for Reuters.

from **France:** George W. Herald, former INS correspondent, now with Overseas News Service.

from **Chile:** Daniel del Solar, former Latin American editor of the AP and managing editor of *Vision*.

from **Japan:** Sydell Magelaner, prominent free-lance writer and lecturer on Far Eastern affairs.

from **Egypt:** Kumud C. Khanna, former *New York Times* special correspondent, now Near East correspondent for the *Times of India*.

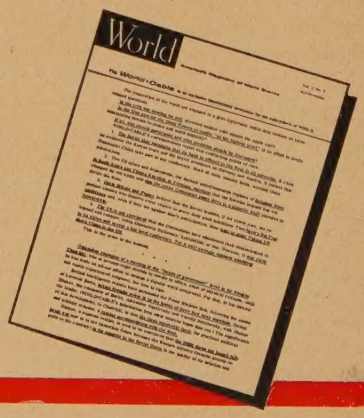
from **West Germany:** Emlyn Williams, *Christian Science Monitor* correspondent in Bonn.

from **England:** Cecil F. Melville, chief diplomatic correspondent of the *Evening News* and the *Sunday Dispatch*, of London.

from **Hong Kong:** Ron G. Whitehead, editor of the *South China Morning Post*.

from **the world at large:** Leo Lania, well-known writer and lecturer, on roving assignment for WORLD magazine.

These are the writers of WORLD-CABLE, which is sent only to WORLD subscribers, *not for sale on newsstands*. **Don't miss it!**



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(Signed) ROGER S. PHILLIPS

Sworn to and subscribed before me this 15th day of October, 1953.

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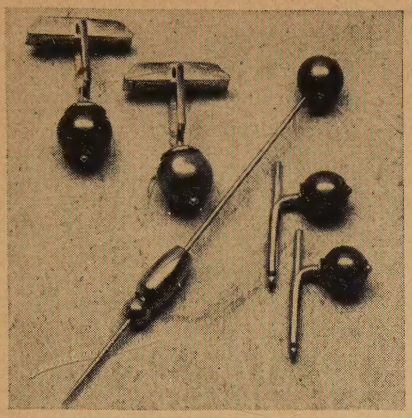

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LETTERS

field for a publication of this type in view of the many uncertainties in both the international and domestic fields.

A. K. MITCHELL
Director, Sales and Advertising
The Western Union Telegraph Company
New York, N. Y.

I am impressed by the great number of well-written and highly informative articles in WORLD, and its broad scope.

WARREN G. MAGNUSON
United States Senator
Washington, D. C.

We must congratulate you on an excellent magazine which will satisfy a need that has been felt by all those in this country who are conscious of international events.

J. H. BOYLE
Export Production Manager, International Cellucotton Products Co.
Chicago, Ill.

Congratulations on your enterprise —and nerve!—in launching a new magazine at a time like the present.

BENNETT CERF
Author, Publisher, Columnist
Mt. Kisco, N. Y.

WORLD . . . is a fine publication. I liked especially the world reporting feature ("How Are We Doing Abroad?").

SIGURD ANDERSON
Governor of South Dakota
Pierre, S. D.

WORLD . . . will provide a practical and significant compendium of world events.

EMILIO NUNEZ PORTUONDO
Ambassador, Permanent Representative of Cuba to the UN
New York, N. Y.

It certainly will present a different picture of world events than any publication previously available to the general public.

This, in itself, I believe to be an excellent reason for publishing the magazine; one too often gets the impression that most of the "competitive" magazines are being written from the same source by the same person.

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CONSTRUCTIVE — Steinberg believes Bolshevism interrupted and corrupted the original libertarian movement of the Russian people, and that the masses can be aroused to revolt against the Kremlin if their rulers are unmasked as traitors to the great social plans of the Revolution.

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LETTER FROM THE PUBLISHER

Dear Reader:

So much happened in the first two weeks after WORLD saw the light of day on October 23 that the staff and I haven't yet got our breath. Now, as our second issue goes to press, we are still sorting out the reactions in America as well as abroad.

All in all, we're feeling highly encouraged. In a modest way WORLD seems to have made a hit with most of the people who have written us. (Some of their comments are quoted on the preceding pages.) A lot of subscriptions have come in, too—a mailbag full a day, in fact.

Newsstand sales have been brisk, but our distribution was not entirely satisfactory. We had scores of telephone calls on the morning of October 23 from disgruntled people who saw our ads in the newspapers and then couldn't find the magazine on the nearest stand. The trouble is that it just isn't economically possible to put WORLD on *all* newsstands (there are 10,000 in New York City alone), so we had to make a selection in each of the 105 communities where WORLD went on sale. If you were unable to buy a copy after the fine initial publicity the magazine received, please try to understand our problem.

I'm afraid a lot of would-be readers *were* irked, for WORLD's first appearance got an unusual amount of nationwide attention from the press, from radio, and from TV. All of us here are deeply grateful for the warm and generous comment the magazine received in dozens of newspapers, in *Time*, *Newsweek*, on the wire services, on Dave Garroway's TV program, and many, many more. Of all the comments, the one which inspired us the most appeared in the *Christian Science Monitor*, which wrote an editorial on "Brave New 'World'."

The *Monitor's* editors found heartening words to describe WORLD's objectives. Their editorial said in part:

"If succeeding numbers are up to the level of Vol. I, No. 1, then WORLD will deserve the respectful attention of men and women who wish to think with a magnitude to match today's problems. For it promises to be world-minded without being soft-headed, to be liberal without being left, to be distinguished without being stuffy. . . .

"It is time to stop thinking of 'internationalists' as necessarily woolly-minded do-gooders. Certainly there is room on the crowded news stalls of America for a monthly magazine that tries, in reasonably popular terms, to put the world scene in a perspective both realistic and idealistic. We wish the new WORLD well."

Such praise leaves us a bit breathless. We'll keep on trying to deserve it.

Sincerely,

Roger S. Ridgeway

World

Vol. 1. No. 3.
December 1953

America's Magazine of World Events

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COVER: French soldier brings a wounded Indo-Chinese boy in from the front. White man's new burden in warring Asia must be borne carefully—and together—by Western nations, warns Lester Pearson (page 8).

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The best friend of the US speaks:

DON'T LET ASIA SPLIT THE WEST!

By LESTER B. PEARSON

Canadian Secretary for External Affairs

OTTAWA

THE greatest threat at the moment to the unity of purpose and policy of the Western grand alliance against Communist imperialism and aggression lies, I think, in the Far East. It arises out of differences of viewpoint over the scope and nature of the menace of communism in Asia and the measures which should be taken to meet it. If these differences persist and deepen, they may cause serious damage to the cooperation which has developed since the war and which has expressed itself not only in a close working relationship within the United Nations, but in such agencies for collective action as NATO and ANZUS (the Australian-New Zealand-US defense pact).

Furthermore, these differences often find the United States on one side and the governments of Western Europe and the British Commonwealth of Nations on the other—a result which causes special anxiety to a Canadian, but which should give no comfort to anyone except a potential aggressor.

There is no dispute between us over the attitude we should adopt when the international Communist conspiracy expresses itself in the form of military aggression—in Korea or elsewhere in Asia. We accept the obligation of collective resistance and assistance under the Charter of the United Nations, even though the manner in which that obligation is discharged may have to vary, both as between states and between areas.

In Korea, for instance, the United States took a bold and essential lead at the United Nations in having North Korea branded as the aggressor, and has borne by far the major non-Korean share of resistance to that aggression. The losses and the tragedies of the Korean War have made a strong impact on the American heart and mind. Other countries who have since 1914 experienced more than once and in full measure the bloodshed and misery of war should remember this.

On the other hand, it should not be forgotten that if some countries have sent only small contingents to Korea, those countries are still weak from the losses and devastation of World War II, far greater than anything this continent suffered; and that some of them are also involved in their own military operations against Communist aggression and banditry. Mutual understanding is essential here if the alliance is not to be poisoned.

The Korean aggression has now been checked. The fighting has stopped. An armistice has been signed. But the situation is heavy with problems, especially for those members of the United Nations who have made the Korean operation the first international police action in history.

There is, first, the complex and explosive problem of converting the armistice into a peace. Already there have been divergent views between the United States and its friends on this issue, more particularly over the composition of the peace conference. This was an honest difference which, by adequate prior consultation, could have been minimized if not removed. Instead, it

Lone Korean POW, led by Indian guards, celebrates his return to his Red masters.

"There cannot be unity in Europe . . .

was allowed to develop into—and made to look like—a major crisis. Allied diplomacy failed here; or rather it was not given a fair trial. It is to be hoped that we have learned the lesson of this episode.

There may be even more serious problems for the alliance if the armistice breaks down or is indefinitely prolonged. The United States government, understandably doubtful of the Communists' good faith, has secured allied agreement for a declaration which, it is hoped, will prevent renewed aggression. It gives a solemn warning of speedy and firm resistance if such aggression occurs, and adds that should this happen, it might be impossible to limit action to Korea itself.

This "warning declaration" was agreed to by all the other governments with forces in Korea, but it is no secret that the agreement was given, in some cases, uneasily. This uneasiness arose over fears that the armistice might be broken either by the Communists or by the government of the Republic of Korea, which has violently opposed it. There was also concern lest a situation be created in which the origins of the new aggression might be concealed. Either contingency would impose a severe strain on the alliance, not contemplated by the "warning declaration." How can we guard against these untoward developments or ensure unity of action if they occur?

In the first place, the United States should be able to count on its friends if a clear-cut and new aggression from China and North Korea were committed. On the other hand, it should be understood that such support would only be forthcoming if the United Nations had decided that a new aggression had in fact taken place. Also, the government of South Korea must be convinced that it has nothing to gain and everything to lose by sabotaging either the armistice or the Korean peace conference, if and when it takes place. Finally, it should be made quite clear that our objective in Korea is to defeat aggression, and not to impose unity on that country by force. Any doubt on this latter point would certainly make cooperation in the Far East extremely difficult if not impossible.

It is true that the unification of a free and democratic Korea by political means remains a United Nations objective. There is, however, no greater obligation on any member of the United Nations to help bring this about by military means than exists in the issue of German unification.

There are dangers, then, to our coalition in Korea. Greater dangers, however, may arise from the policy we should adopt, not merely against Communist military aggression but against communism itself, and Communist governments, in the Far East.

This problem becomes immediate and compelling in the case of Red China. Should there be recognition or exclusion, trade or no trade, co-existence or implacable hostility? The problem is even deeper and wider than China. It is concerned with differing views about the nature and meaning of Asian communism in general. Here again, however, China provides the best illustration of the danger of disunity.

Certain governments, including the United Kingdom, have recognized the Communist government in Peking. This, they emphatically claim, does not indicate any approval of communism on their part. It is merely recognition of the fact that the Peking regime is now in effective control of continental China and that it is idle to pretend otherwise. To accuse governments, because of this recognition, of "appeasement"—a word which is now becoming charged with more and more emotion and less and less meaning — does no service to the cause of cooperation by the free world in Asian matters.

It may be unwise and inexpedient in the present circumstances to give formal recognition to Communist China, but to argue that such recognition is immoral would mean, if we are to be logical, that recognition of any Communist government is immoral and should not be given, or if already given, should be withdrawn. To carry the argument farther, we should isolate ourselves completely from every Communist government and accept the inevitabil-

In diplomatic language, but with unmistakable frankness, Lester Pearson warns the US:

1. Consult your allies closely, continuously.

2. Don't expect renewed allied military aid in Korea unless the UN—not Syngman Rhee—decides there has been new aggression.

3. Don't expect allied cooperation to unify Korea by force; the only UN aim is the defeat of aggression.

4. Don't threaten to quit the UN if Peking is admitted; allied recognition of Red China is not appeasement.

5. Don't blame India because its millions fear hunger more than the Kremlin.

ity of permanent conflict as long as that government survives. We should not, for instance, discuss political questions with the Chinese Communists at a Korean or any other political conference—something, incidentally, we have already agreed to do.

The same "tough" viewpoint is expressed in statements to the effect that there should be no trade of any kind with Communist China, and that if the Peking government is ever admitted to the United Nations, the United States should walk out, and for good. If these views became US policy, cooperation in Asia with other countries would be hard to achieve.

Red China: target for the West?

Such a stand at once poses two questions: Is the Peking regime, in fact, a firm and fixed element in the international Communist conspiracy? Or is it a movement, directed and controlled by loyal Marxist-Leninist Communists, but deriving its greatest strength from national feeling and from the passionate desire of its people to escape from poverty and starvation, exploitation and hopelessness—conditions the Cominform has so successfully exploited, especially in Asia?

The emphasis in many quarters in the United States is on the first, the extreme "Cominform" concept of Chinese communism. Opinion in certain other countries of the coalition tends to stress the second, the national and social basis of the regime. These different approaches to the problem result in different policies, which may jeopardize cooperation in Asia.

The first approach counsels militant counter-action; impatience with any course that seems to temporize or compromise; support for any anti-Communist leader or group, regardless of whether it has—or deserves—popular support.

Specifically, it implies that our policy should be to strengthen and assist the Chinese Nationalist government on Formosa in every possible way as the one which in due course will overthrow the Peking regime. The assumption is that once the Chinese people, persecuted, oppressed and disillusioned by Communist tyranny, realize that unrest inside the country can be supported by strength from outside, they will rise and join the armies which come to their rescue.

It will, however, be difficult to work out any united policy toward China on this basis. It means, frankly, a declaration of active and fixed hostility, with all action short of general war, and even at the risk of such war, not only against Communist aggression, but also against Chinese communism.

The other, the more qualified concept, can also split the alliance apart if it is interpreted to mean that all that has happened in China is an agrarian revolution, a surge of nationalism, joined with social and economic reform and allied to Moscow mainly because of the intransigent opposition of the United States. While the Chinese masses may well be far more interested in rice than in Marx, and may acquiesce in any government which promises them land and food and shelter, it is unrealistic to the point of dangerous self-deception to ignore the fact that these stirrings, these passions, have, for the time being at least, been harnessed to violence and revolution by the forces of international communism for purposes which are reactionary, aggressive and prejudicial to peace.

To understand the meaning of Asian communism, to place it, as we should, against the background of foreign exploitation and feudal oppression, is one thing. But it does not mean that at this time we should welcome into the international community, as a state willing to abide by the principles of the United Nations Charter, a regime which has committed aggression in Korea and has yet to show that it is willing to contribute to a peaceful and democratic solution of the Korean or other Asian problems.

Unite against aggressors, not Asians!

What, then, should be done to keep the alliance strong and united as it faces the coming test provided by our different approaches to Far Eastern problems?

In the first place, the Western European nations and the members of the Commonwealth must appreciate that the American people have made great sacrifices in resisting aggression in Korea against Chinese Communist armies, and are determined that this Communist aggression, if repeated, must be defeated once and for all by whatever measures are adequate for the purpose. To this end, we must be willing to merge our own strength with that of the United States under the United Nations, thus ensuring that these measures are genuinely collective. Otherwise, the United States may be driven to isolated action in Asia. But isolation, like peace, is indivisible. There cannot be unity of action in Western Europe and disunity in Asia.

If, however, we are to work together in this way, and if isolation is to be avoided, the other members of the alliance must have confidence in the objectives of American policy in Asia and confidence also in the methods by which those objectives can be realized.

What should be the basis of a policy which will inspire this confidence and make this cooperation firm and effective?

We must not compromise with Communist aggression. This does not mean, however, that we should assume that every anti-colonial, nationalist or revolu-

(*continued on page* 14)

Bankrupt, Iran seeks end to West's boycott of nationalized oil, an explosive issue for ousted Mossadegh group, Reds. West no longer needs oil; the USSR does.

Rival claims to Kashmir keep Indian, Pakistani armies facing each other over old truce line. Compromise could trigger extremists into power in either country.

Economic empire is goal of Soviet industry, strategically placed to exploit Sinkiang resources, harness Manchurian, Korean mills, tempt machine-poor south Asia

1

2

3

THE DYNAMICS OF ASIA

A World MAP

War

Guerilla War

U.S. Bases

British Bases

Soviet Bases

Heavy Industry Centers

Rice Export Crops

Oil

7

8

9

Land hunger, racial unrest are used by Reds to build local strongholds, make south India a base for disorder (as in Ceylon strike), or a coup (as attempted in Iran).

Civil warfare bleeds Southeast Asia: Burma fights Reds, refugee Chinese Nationalist army, local minority; Reds alone disrupt economy of Malaya, Philippines.

Rice bowls of Southeast Asia supply vital food to India, Indonesia, Ceylon, Japan. Reds could use them as a political lever. already are cutting output of Viet Nam

Expansion of effective Chinese rule over Tibet puts Reds in position to rouse restless mountain peoples, put pressure on India as well as weak nations of Southeast Asia.

Unification, even by force, is aim of South Korea, blocks any settlement leaving North Korea a buffer for Red China, South Korea a beachhead of US defense system.

Rearmed as a US ally, Japan would cour terbalance Red China. But, as best marke for Japan's exports, China could pull Ja pan into neutralism, or the Soviet orbi

Unpopular war is fought against Reds by reluctant French, apathetic Indo-Chinese. French withdrawal, or full Chinese intervention would peril key to Southeast Asia.

Exile regime of Chiang Kai-shek seeks to regain Chinese mainland with US help; Reds fear Formosa as a threat, while US weighs its value in destroying an enemy.

Colonial legacy to Indonesia is instability armed bands left over from war agains Dutch; weak government, Red-supported dispute with Dutch over west New Guinea

PEARSON SPEAKS *continued from page 11*

tionary movement is Russian Communist in origin and direction, any more than we should assume that with patience and sympathy every Asian Communist leader can be turned into a Tito.

We must avoid taking up rigid and inflexible positions based on emotion rather than intelligence, on short term rather than long term considerations.

We must convince the Asian peoples that democracy can do more for the individual than Communist tyranny can ever hope to. We can do this in many ways, by constructive policies in our own countries, by plans for mutual aid, and also by removing the impression that the Western allies are, in the East, associated only with regimes and societies that do not meet the desire for change of the awakening masses.

Our policy in Asia must be more than a policy of mere opposition to communism. It must be constructive; and anti-communism should not be the only claim to our assistance.

The new Asian countries have problems of a magnitude that would stagger a Western statesman. These countries may be old in the arts of civilization and steeped in ancient culture, but as political entities they are new and are faced with the problem of building in a few years cohesive and stable national societies which will provide a good life for hundreds of millions who have known little but distress and want.

We should remember this when we tend to get impatient at what we consider to be the "neutralism" of a country like India in what is to us a desperate conflict between the forces of Communist imperialism and free democracy. The conflict may not seem so simple to people who are preoccupied with the struggle for self-government and economic progress, millions of whom live under the recurring threat of starvation and who may be pardoned for thinking that hunger and servitude are worse enemies than Marxism.

We should recognize that new forces—economic, social and national—are at work in Asia, forces that would have erupted in disturbing ways even if there had never been a Communist revolution in Moscow. We cannot reverse these forces. We in the West ignore them at our peril.

Where communism has been able to take over these new forces, as in China, we should neither blind ourselves to the dangers of the situation by wishful thinking nor increase those dangers by rash and provocative policies. Furthermore, by associating counter-revolution—which can develop indigenously, as it has so often done before in China—with foreign intervention and foreign assistance, we may strengthen rather than weaken Communist regimes.

Finally, it is not enough to agree on basic principles of policy. We must apply them *collectively*. This can be done effectively only if there is close and continuous consultation, which means more than *ad hoc* meetings to reach last minute decisions in an atmosphere of crisis. On the one hand there must be wise, steady and patient leadership, not swayed by every gust of popular passion, and, on the other, loyal and firm support.

If we adopt and carry out these principles of policy and collective action, our grand alliance of free peoples will be able to meet the test of the difficulties that face it in Asia. We shall be able to show in peace, as we have in war, that there is a strength in the cooperation of free men that slave societies can never achieve.

SAME HONORABLE ANCESTOR—WHICH IS HEIR TO CHINA'S FUTURE?

Mao Tse-tung *addresses Red China's National Committee, flanked by portrait of Sun Yat-sen, "father of modern China" who enlisted Communist aid in 1920s revolution.*

Chiang Kai-shek *assumes presidency of China-in-exile under symbolic gaze of his revolutionary mentor and founder of the Kuomintang (Nationalist) party — Sun Yat-sen.*

Founders of a new Europe, Jean Monnet (left) and French Foreign Minister Robert Schuman took first step to unity when Coal and Steel Community treaty was signed in 1951. Monnet originated idea; Schuman gave it his name.

An exclusive interview with Jean Monnet

MR. EUROPE TALKS SHOP

By GEORGE W. HERALD

WORLD's Chief European Correspondent

LUXEMBOURG

THE European Coal and Steel Community is here to stay. This is the inescapable conclusion of anyone who talks with Jean Monnet, president of this revolutionary organization which merges the basic industries of six European nations—France, West Germany, Italy, the Netherlands, Belgium and Luxembourg—into one supranational unit. Out of nothing, this practical idealist has created a sound and going concern whose solid reputation can be measured by President Eisenhower's recent suggestion to Chairman Alexander Wiley of the Senate Foreign Relations Committee. It was that the investments of the Community be financed in part by the US government "out of moneys available for such purposes and under conditions insuring proper use and ultimate repayment."

This phrasing indicates that the President is not contemplating a gift, but a regular loan to be guaranteed by the Community's tax income. As the matter will come up for debate soon after Congress reconvenes in January, I went to see M. Monnet at his Luxembourg headquarters to ask him whether he feels that "conditions insuring proper use and ultimate re-

payment" have been established in the first year of the Community's existence.

Jean Monnet is not the boastful type of pioneer; he has been exceedingly cautious in his public statements. His words, therefore, carry all the more weight.

"The common market for coal and steel has become a reality," he said. "The organizations of the new Europe are functioning. The division of responsibility has been established. Our decisions are being accepted and carried out. We have proved that Europe can operate a federal institution as well as manipulate a vast common market of 160 million customers."

In concrete terms, I was told, this means that all customs duties within the six-nation area on coal, iron ore and scrap have been abolished. Import and export quotas and licenses no longer exist. Foreign currencies are freely allotted for purchases abroad. Double pricing—the custom of charging different prices outside the country—is forbidden. Discriminatory practices favoring certain buyers have been prohibited.

"Some countries granted preferential railroad transportation rates to their nationals," M. Monnet explained. "Others gave subsidies to certain enterprises or let them buy coal more cheaply than they should have. We have taken formal decisions to stop such infringements of the common interest."

How, I asked, does the High Authority arrive at its decisions?

"First we consult a great many experts, employers, workers, consumers, dealers, and their respective organizations," M. Monnet told me. "Then we seek the opinion of our Consultative Committee and the Council of Ministers. We consider all aspects of the matter before we render a formal decision."

"How many formal decisions have you taken?"

"So far we have taken forty," he told me.

"And all of them have been faithfully carried out by the six member governments?"

"All of them. Even in cases where industrial or national interests were opposed to the viewpoint expressed by the High Authority, they accepted our decisions. What this means can be fully grasped only if one considers that we often succeeded within a few weeks in getting measures adopted on which the nations had failed to reach an agreement for years."

Open market boosts output

I asked M. Monnet if Europe's economy was beginning to show the beneficial effects of his work. He produced statistics showing that coal deliveries from Germany to other countries had increased by 636,000 tons in the first eight months of the common market. Deliveries from Belgium were up by 672,000 tons and from strike-ridden France by 271,000 tons.

"This already has enabled Europe to save millions of dollars she used to spend on coal imports from the United States," he pointed out.

"What about steel?" I inquired.

"In steel, progress has been less spectacular. Production and exchanges have stayed at about the same level as in 1952—mainly because of the international situation but partly because the common market doesn't yet function perfectly. In all fairness, we couldn't have expected much better in so short a time. Old habits—and rules—cannot be broken overnight. Progress must necessarily be gradual. The treaty itself gives us a maximum transition period of five years in which to bring about the free flow of coal and steel throughout the Community."

Up to now the selling and, in some cases, the buying of coal have been almost wholly in the hands

of centralized organizations which often negotiate trade deals with one another. These monopolies interfere with the customer's freedom to buy from the supplier of his choice. The High Authority is determined to put an end to such abuses.

In the domain of steel, the situation is this. On one hand, the Community has freed steel prices: every producer can now set his own price, provided he makes his price lists public. On the other hand, the High Authority, in a recent report, felt "bound to register the fact that prices had been fixed, not by firms individually but by agreement among them and under the auspices of the national organizations to which they belong."

Price cartels, just like sales monopolies, are obviously in direct contradiction to the aims of the Community," M. Monnet declared. "In the past few months we have received twelve written complaints from consumers against monopoly practices by sales organizations. We are investigating them."

One case which arose from an early complaint by German consumers has already been dealt with. It involved the *Oberrheinische Kohlenunion,* which decided to monopolize deliveries to all industries consuming more than 30,000 tons of coal a year. The High Authority gave the *Kohlenunion* two weeks to retract its decision. It obeyed.

"What would happen if your orders were disobeyed?" I asked M. Monnet.

"We could fine offenders up to 10 per cent of their annual turnover," he replied. "They could appeal to the Court of Justice but, if the appeal were rejected, they would have to pay. Fortunately, this situation hasn't come up so far."

M. Monnet feels that discriminatory and protective measures are preventing Europe from fully realizing its mineral resources. By hampering production, they lower Europe's export capacity, which is vital to its existence, and keep down general living standards.

"The nations of the Community have enough coal underground to last for a thousand years," he said. "And yet we have created a dollar deficit of $2 billion in the past four or five years by importing coal from the United States. Even so, we consume only two tons of coal per capita a year, compared to eight tons in America. Our steel consumption is 506 pounds per capita, while that of the US is 1340 pounds, which shows how behind we are in the march of progress."

Boom-minded, investment-conscious

Thus M. Monnet considers the expansion and modernization of the Community's coal and steel industry one of his most urgent tasks. Annual steel output has now reached 42 million tons per year; he wants to get it up to 48 or 50 million tons annually within the next five years. During the same period, coal production is to be raised from 240 to 280 million tons anually.

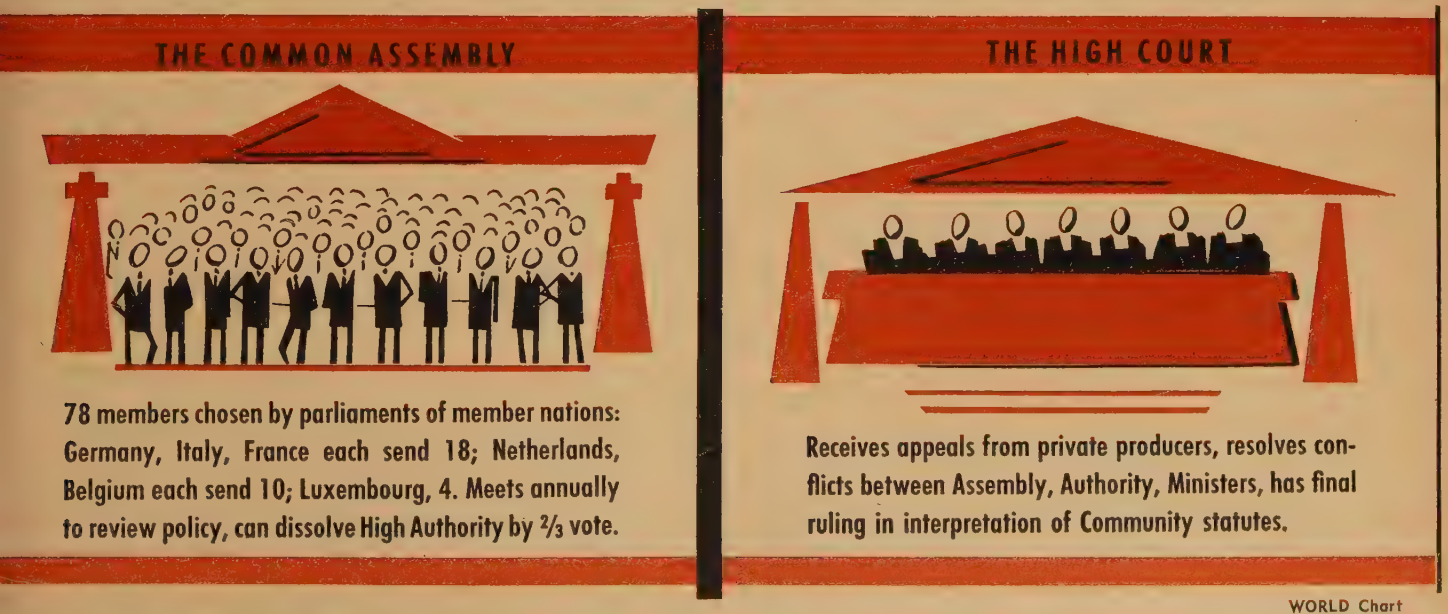
"Obviously this will require an enormous amount of new investment of which only a part can be financed by the enterprises themselves," M. Monnet said. "That's where the High Authority comes in. One of the formal decisions we took was to create a guaranteed fund large enough to service external loans. For this purpose we are now levying a 0.9 per cent tax on the total coal and steel output in the Community."

"How do you collect the tax?"

"It's very simple," he replied. "We have established a list of 574 coal and 434 steel firms to be taxed in the six countries concerned. Every month, they pay their dues to one of the banks designated in each country."

"And how much does that bring in?"

Congress and Supreme Court



WORLD Chart

"About $4 million a month. Something less than 20 per cent of this sum is used for administrative expenses. We also have to repay advances made by the member states before we got started. But we still expect to have a reserve of $20 to $25 million by the end of this year, and a fund of some $50 million by the end of 1954. This will constitute the basis for capitalization."

M. Monnet pointed out that the High Authority itself is not in business. It may borrow money for the construction of workers' housing, the technical reeducation of workers and certain measures to increase production. But in general it will confine itself to guaranteeing loans made to worthy enterprises. It has learned through questionnaires and direct visits what investments are planned by the various firms. The present practice is for the Community to examine these plans in the light of its long-range needs and try to fit them into a comprehensive program of modernization and expansion for the whole area.

M. Monnet estimated before the US Congress last June that $1.25 to $1.5 billion would be needed to modernize European coal and coke production to the point where the dollar deficit from US coal imports could be eliminated. At that time, he said part of this sum could be financed by the manufacturers and another part from issues on the European market, while about one-third would have to come from other sources. I asked if these appraisals still stood.

"The situation is continually developing," he replied, "and the investigations we have made since June have certainly given us a much clearer picture. All I can say is that the program we are going to submit will be based on very precise figures."

"When do you think such a program can be submitted to potential investors?"

"By the beginning of next year."

Merger with Britain?

I suggested that potential investors might be greatly encouraged if the Community sought a closer association with Great Britain.

"They certainly would, and we are working on it," M. Monnet said. "We plan to submit proposals for concrete forms of association between the Community and the UK within the next few months. You see, the British are a cautious people. They don't like to deal with project-makers. They prefer to wait and see if the project works. By now they can see that our scheme does work, which greatly improves our chances of making an arrangement with them."

"An arrangement along what lines?" I asked.

"At the moment," M. Monnet replied, "I can say only that we want to create an institutional frame that will permit permanent concerted action between the UK and the Community. We shall also try to work out a number of regulations on competitive action in specific fields of markets and supplies by which both partners will abide. Details, of course, remain to be negotiated."

"If all these plans are realized," I asked, "and the Community gets into full swing, do you think it might operate alone for decades, regardless of what happens to the other projects for European integration?"

"Of course not," was the answer. "The Community is only a first step, and we shall have to go farther. The European Defense Community, for example, is necessary because it will be our only means of contributing to an effective defense of the Continent. The days when Europe could be defended by a coalition of national armies are definitely over."

Indispensable: a European Parliament

I asked, "And if the EDC is not ratified?"

"That is a hypothetical question. I am perfectly confident that the EDC will be ratified in due time by all the countries concerned. There is no alternative to it. I want to add, however, that there must be a civilian authority to which the generals of the European Army can be made responsible. There can be no European Army if there is no Europe."

"You mean a European Political Community?"

"Yes. Once you have the common coal and steel market and the European Army, you will have transferred almost 35 per cent of Western Europe's national income to a European level. That is an enormous percentage, and at this point a political authority over these institutions, empowered by a parliament directly elected by the Europeans, becomes indispensable."

I mentioned that I had recently observed a tendency among French politicians to water down the European Political Community project. They seemed to dislike the idea of a European parliament and an executive council with supranational powers. Instead, they were advocating a loose partnership of states in which a Council of Ministers from the six countries would have to endorse every decision.

M. Monnet strongly objected to such proposals.

"That would undo everything we have accomplished," he said. "The whole point of our work is to induce national states to give up some of their sovereignty for the common good. A European Community depending on agreements by a Council of Ministers would be a contradiction in terms. It would merely be the old divided Europe under a new label.

"All of us know that neither Europe nor the rest of the world can secure peace by such means. Twice in this century European conflicts have obliged the United States to throw its forces into battle on the Continent; they have brought us as well as the Soviet Union to the edge of destruction. Disunited, we shall once again become the victims of mutual suspicion and nationalist ambitions. Only by uniting will the Europeans establish the basis for a lasting peace."

What's cricket in Parliament—or

How to Tame an M.P.

By A. P. Herbert

Among the parliaments of the world—whose members are as human as anyone else—Britain's House of Commons stands out as a model of discipline and decorum, often—to outsiders—incomprehensibly so. Wondering by what magic British parliamentarians preserve their sangfroid and their dignity in today's tense world, we asked a longtime Member of Parliament and England's favorite humorist for an explanation. Here is his answer:

LONDON

AFTER one hot argument recently, a not very big Socialist marched across the Floor of the House of Commons and struck a big Conservative—a sitting bird—in the second row. The big Conservative had been a Commander in the Navy and, besides, a boxing champion of some note. But he said not a word, did not a thing, and continued to sit there with his arms folded. It was impossible not to see that this incident showed more than an individual reaction. It pointed up eloquently how deeply embedded in its Members is the doctrine and the discipline of Parliament.

The British have been playing this difficult game for a very long time, and the spirit and the rules of it, like the rules of cricket, are in their very blood and bones. And, at every turn, the new Member is inescapably reminded of them.

When a young man enters the House of Commons for the first time some things may strike him as silly. On examination, however, most of them are seen to be a part, historical or practical, of the same code of manners.

When I proudly hung my hat on my own particular peg in the Members' Cloak Room I was surprised to see hanging from it (the peg) a bight of pink tape, of the kind we call "red" in government offices. That, I was told gravely, was where I left my sword before I entered the Chamber.

Of course I had no sword, but the symbol of it pursued me. In the Chamber, though a very humble back-bencher, I sat on what was, geographically, a front bench, the one "below the gangway," where Sir Winston Churchill used to sit when he was "in the wilderness." Along the front of that bench (and the front bench opposite across the Floor, or "nave," of the House) lay a narrow mat. No Member speaking from either of those benches must step off the mat. Indeed, if he thrusts so much as the toe of a shoe over the edge into No Man's Land (which is very easy to do) there are loud cries of "Order! Order!" I was much taken aback the only time it happened to me, in the middle of a passionate argument, for I had not the faintest notion what I had done wrong. A colleague afterwards explained the reasoning behind it: "The idea is that you mustn't be within sword's length of the fellow on the other side."

That, I suppose, sounds rather silly. Swords are no longer worn. But there are other weapons of offense. If a speaker were allowed to wander about, shaking his fist, thrusting his face into the faces of his opponents, there would be a strong temptation to biff him on the nose. So, swords apart, the rule may have some practical merit still.

When Marshal Tito came to London, the only occasion, I believe, when his bodyguard had to put off their pistols was his visit to the House of Commons. The rule is strict that no weapon may be brought in by Member or stranger, though oddly enough it is a "custom" merely, and was not put into writing, it seems, till 1930. No one supposed that the Marshal's

men would open fire. On the other hand, it was considered that here, at least, their guns would be an unnecessary burden. At all events, there was the rule; there was the fundamental doctrine common to all the English speakers (and some others) "Words—not Swords," and for no one could it be suspended.

It is general doctrine today, you may say, though when one reads of occasional "scenes" in certain European parliaments one is not so sure. But what we may well boast about, and wonder at a little, is this: that we laid down the doctrine of "Words—not Swords," not in these polite times, but in an age when swords were worn and readily employed. Such small survivals as the tape in the cloak room, and the rule about the mat, may or may not be "sensible," but they are valuable reminders, and we do well to preserve them. For, who knows? Men of violence may try to come again. If they do, they will not be met by tanks or troops, but by a suave attendant in evening dress who will say: "Excuse me, Sir, all machine guns, as you know, must be left in the cloak room. I will give you a larger piece of tape." And the revolutionary, having been properly brought up, will obey.

Some folk, in this Age of Hurry, laugh at the long-winded manner in which the Members must refer to one another—"My Right Honourable and Learned Friend, the Member for Burbleton Boroughs," and so on. "Why not call him Mr. Smith, and get on with it?" they ask. But even this, the old men tell you, is no mere "feudal" or pompous relic of a distant age. It is part of the practical machinery for keeping the peace in Parliament and keeping "personalities" out of politics. "Mr. Smith's a liar" would pop out easily, it is true, and might save time. But then, how easily would the sword—or the fist—come up as well!

Our wise old fathers thought of that. You may say that a Member "has made a statement which is not in accordance with the true facts, as I propose to show"; you may say that he is "misinformed" or even "reckless," I think; but you may not say that he is a liar. You may not even call him "Mr. Smith." Perhaps you do not know his name, and have to mutter to your neighbors, "Who is that So-and-so?" If you do know his name, you may still have to fumble in your angry mind for his constituency. Is it Burbleton (North) or Burbleton (South)? Or, possibly, Burbleton Boroughs?

Then, you seem to remember, you saw him in some sort of uniform early in the war. Perhaps he is an officer, in which case he is "Gallant" as well as "Honourable." Or he may be a barrister. Queen's Counsel are "Learned," but you are not certain whether junior barristers are "Learned." Much thought has to be put into all this, and by the time you have got the long formula out—"The Honourable and Gallant Member for Burbleton Boroughs is, I am sure without intention, making a confident assertion on rather unsubstantial evidence"—the fire has gone out of you; and, more important still, you have said nothing that would

give him any excuse for rising wrathfully in his turn and punching you in the nose.

There are, of course, other rules and restraints. "The imputation of bad motives, or motives different from those acknowledged: misrepresenting the language of another, or accusing him, in his turn, of misrepresentation; charging him with falsehood or deceit; of contemptuous or insulting language—all these," says the highest authority, Sir T. Erskine May's *Parliamentary Practice,* "are unparliamentary and call for prompt interference."

In a footnote to his book there is a formidable list of expressions which have been ruled "unparliamentary" on particular occasions—"factious opposition," "hypocritical lovers of liberty," "villains," "impertinence," "gross calumny," "slanderer," "traitor," "dishonest," "vicious and vulgar," "corrupt."

Some of these, I fancy, might get by today. The discipline is not so severe as it may sound, and a wit may still flatten his foe without getting into trouble. There was a remarkable example not long ago. A rather waspish woman Member, Socialist and what is called "left wing," in a foreign affairs debate had made an attack on Sir Winston Churchill. "We used," she said, "to see the Right Honourable Gentleman represented on Conservative party posters as a bulldog sitting on the Stars and Stripes." A Conservative Member, who spoke later, deprecated her attack, and added: "We all know what flag the Honourable Lady sits on: but nobody could say that she was a dog." Perfectly parliamentary; no occasion for a rebuke from the Chair; but the House, I believe, laughed for a long time.

The great Mr. Speaker Fitzroy had a habit of muttering to himself in tones that were clearly audible to anyone near his great Chair. One rather pompous and wordy speaker, who had been "up" for forty minutes, paused, and said weightily: "Now, Mr. Speaker, I ask myself this question . . ."

"And a damned silly answer you'll get," growled the Speaker.

A private Member's Humane Slaughter Bill was in committee. The lunch hour was near and Members with engagements were looking at their watches. The sincere but rather plodding Member in charge of the bill, having given a graphic picture of the sufferings of the cattle which were slaughtered in the bad old way, dragged out his elaborate explanation of the parts and workings of the new method—the humane pistol—till his audience was frantic with impatience. At last he said, "All that remains is to place this merciful weapon against the forehead of the unfortunate animal, and press the trigger—so." He put the pistol against his own temple and pressed the trigger. There was a click, and an Honourable Member ejaculated: "Christ! It's missed fire!" It is not recorded that he was suspended.

The women Members are properly respected, but they have a sad capacity for making the men laugh in the wrong places. There was the earnest lady who, in a speech about the statistics on maternal and infant mortality in childbirth, cried: "Mr. Speaker, Sir, we have prenatal treatment, and postnatal treatment, and still we have these appalling *figures*!"

The Committee Rooms at Westminster are upstairs; in the later stages of a bill, when it returns to the Chamber, Members often refer to what happened "upstairs." A lady Member who thought that a Cabinet Minister had gone back on an undertaking he had given in committee is supposed to have said indignantly: "The Honourable Gentleman had me upstairs, but he's not going to have me on the Floor of the House!"

THE House of Lords does not have so much fun. To the motto "Words—not Swords," it adds "and no Offensive Words."

Consider its Standing Order Number XXVIII—"Asperity of Speech to be Avoided"—and note with wonder that the date of it is June 13, 1626, the second year of the reign of King Charles I, a time when the sword leapt easily from the scabbard:

"To prevent misunderstanding, and for avoiding of offensive speeches, when matters are debating, either in the House or at Committees, it is for honour sake thought fit and so ordered, that all personal, sharp or taxing speeches be forborn, and whosoever answereth another man's speech shall apply his answer to the matter without wrong to the person; and as nothing offensive is to be spoken, so nothing is to be ill-taken if the party that speaks it shall presently make a fair exposition, or clear denial of the words that might bear any ill-construction; and if any offence be given in that kind, as the House itself will be very sensible thereof, so it will sharply censure the offender, and give the party offended a fit reparation, and a full satisfaction."

The Companion to the Standing Orders says that "when heat is engendered in debate" any Noble Lord may move that the Standing Order be read aloud by the Clerk. This was recently done, and cooled tempers wonderfully, I believe.

I showed the Order to Mr. Menzies, Prime Minister of Australia. He said: "I must take that home." Who knows—perhaps that Standing Order, like the Speaker, like Erskine May, like "the Honourable Member" and other old-fashioned fruits of Westminster, may find its way about the world. It would do no harm in our own House of Commons.

Will Russia, I wonder, ever send anything so "modern," so enlightened, round the world?

At election meetings, even at street corners, the people cry, "No personalities! What's yer policy?" So said the House of Lords in 1626—"Apply your answer to the matter, without wrong to the person." This distinction is—or was—a fundamental tradition of British politics. However mad and dangerous you think the other man's opinions, the assumption is that he is (a) human being like yourself, and (b) as sincere in his insanity as you are. One could name two or three London clubs which were founded as "neutral grounds" where, after bitter battles in Parliament, the Ciceronian statesmen of the past could meet and eat as friends.

The same tradition prevails (as a rule) in the Smoking Room of the House of Commons, where you may see the hottest foes exchanging the friendliest gins. I have seen it rather tottery, here and there, in acrimonious times; it is not quite so strong as it was "outside"—it does not go well with the "class war" or that boring and boorish Prussian Mr. Marx.

Heaven forbid that we should lose the tradition altogether! I do not think we shall.

THREE KINGS from the EAST

A Cynic, a Mystic and an Oriental Patriarch are the Unpredictable Guardians of Vital South-East Asia Against Communism

By Lucien Bodard

Correspondent for France-Soir *in Indo-China*

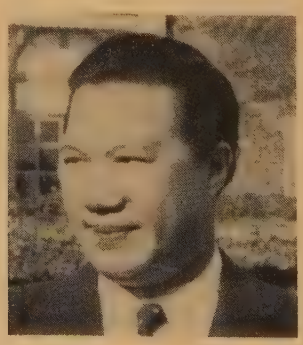
SAIGON

IN A faraway land of the Orient known as Indo-China live three kings. One is a man not long out of boyhood: Norodom Sihanouk, King of Cambodia. He still loves to play with toy soldiers but has learned to play with real soldiers too. One is a man in his prime, whom years of danger and double-dealing have made an egoistic cynic: Bao-Dai, ruler of Viet Nam. He ascended his throne with a sincere desire to govern, but today exploits his kingship chiefly for his own ends. One is an old man, wise, reverent and beloved by his people: Sisavang Vong, King of Laos. After reigning uneventfully for forty-nine years over his story-book Kingdom of the Million Elephants, in the closing years of his life he has suddenly risen to the stature of a hero.

These three kings, so different in age, in character and in aspiration, today all follow the same star which, at the end of World War II, rose like a beacon in the eastern heavens. Its light fell on all Asia, from the mountain villages of the Philippines to the squalid, teeming settlements of India's vast, sun-baked plains; and in the hearts of the people it burned like a fever. The name of the star was Independence—independence for peoples long exploited by the white man's rule. With its ascendency, a new era began in Asia; and the three kings, whom the French rulers of Indo-China had kept on as honorable images offered to the piety of their people, abruptly faced the realities of power in a shifting, violent world.

They had been demigods before, spokesmen for their subjects with the gods in Heaven, whose primary functions were to appear in ceremonial robes at centuries-old religious rites. Now they were spokesmen for clamoring masses with the foreign administrators who for so long had ruled their lives. For war had come to Indo-China, and the menacing shadow of

NORODOM SIHANOUK
King of Cambodia, aged 31



BAO-DAI
Ruler of Viet Nam, aged 39

SISAVANG VONG
King of all Laos, aged 68

Inside a pagoda, *young King Sihanouk worships in state, perched on a Louis XV chair, but flanked by vigilant Buddhist priests who have won him away from playthings of the West to champion Cambodia's holy destiny.*

THE CHAMELEON KING LEARNED TO BE LOYAL TO HIMSELF

communism hung darkly over the peaceful rice paddies and fruitful valleys.

For seven long years the French fought communism in their colony with the blood and substance of their nation. It was clear that they could fight successfully only with the aid of the three kings and their peoples. And thus it happened that today Sihanouk, Bao-Dai and Sisavang Vong have become rulers whose decisions are important for the entire world. For upon them, as much as upon the French Expeditionary Corps, depends the fate of Indo-China. And upon the fate of Indo-China depends the fate of Southeast Asia, prime target of the Communists in their surging drive to capture all the nations of the Orient.

THE most important of the kings is Bao-Dai, the Son of Heaven, Chief of State of Viet Nam, occupier of the ancient throne of Annam, to which he was returned from exile by the French in April 1949. He had served many masters before he was persuaded by the French to come back to his war-ravaged country. Today he serves primarily himself.

When his plane touched down at the airport of Dalat that April day four years ago, the dignitaries waiting to receive him saw first an enormous pair of dark sunglasses beneath an elegant, dazzling-white sun helmet. Bao-Dai's round, fat, broad-nosed face was impassive as he stepped from the plane onto the soil of his native land.

He took his first steps as Chief of State with a sublime indifference. He did not even glance at the imperial flag raised in his honor. He had no word for the line of Viet-Namese notables, nor any gesture of appreciation for the speech of welcome read by the High Commissioner of France.

A few weeks later he made his solemn entry into Saigon. There were many flags fluttering colorfully in the breeze; there were policemen, and there were bowing functionaries. From the people there came not a living soul. It was a fantastic reception.

Bao-Dai was born in 1914, the son of Emperor Khai-Dinh, a sickly and tormented man. He was raised in France and spent his youth in Paris. Handsome and charming, blending oriental grace with Western manners, he was the darling of high society. Life, to him, was made up of days at the fashionable Jockey Club, afternoons of tennis, bridge and motoring, evenings spent at brilliant receptions and dinners of every kind.

It was strange for him, therefore, to return at eighteen to the old Annamese capital of Hué, where henceforth he was to play the role of oriental sovereign, offering himself as an idol to his prostrate subjects. He wanted to modernize Viet Nam's way of life, and at the same time be a ruler in the true sense of the word. But the French had other ideas, and so Bao-Dai became an oriental playboy king.

He spent much time hunting, organizing long expeditions into the jungle. He indulged his passion for elephants and collected a large herd. He became a first-rate poker player. His love affairs were legend, even after the French authorities married him to a young lady of good family, a fervent Catholic of formidable rectitude. Bao-Dai had five children by her, but the marital relationship was greatly impaired when, in a climactic outburst of indignation, she unexpectedly fired a revolver at him. The bullet missed.

In March 1945, Bao-Dai's playboy life suddenly and violently changed. He was hunting in the jungle when his party was surrounded by a detachment of Japanese soldiers. Revolvers cocked, they brought him back to his palace at Hué. There a general of Hirohito's army explained to him that the French protectorate was ended, that a new era of independence for Indo-China had begun within the Greater East Asia Co-Prosperity Sphere. The general gave him a proclamation and told him to sign it. Bao-Dai glanced briefly at the impassive soldiers surrounding him, at the tanks and guns drawn up outside the window. He signed.

"Independence" within the Japanese Co-Prosperity Sphere did not last long. Japan was defeated, and to the palace at Hué came a tattered representative of a new order: the Communist underground, or Viet-minh. Without ceremony, Bao-Dai was handed an order of

***Red rebels** strangle Viet Nam, threaten Laos, have not yet reached Cambodia. Pale red indicates rebel areas regained by French.*

abdication. Again he signed. The alternative, the Vietminh delegate made clear, was death.

Under the guns of Red guerrillas, Bao-Dai was conducted to Hanoi, the Vietminh capital. There the Communist leader, Ho Chi Minh, offered him the post of Supreme Counsellor. Bao-Dai knew that the evening before, the Tong-Bo, the Vietminh governing committee, had heatedly debated executing the former Emperor then and there. He accepted Ho's offer.

The Vietminh tried hard to make their Supreme Counsellor lose face. He had to give up his imperial name and was rebaptized as simple citizen Vinh-Tuy. He was subjected to indignities. One day Ho Chi Minh invited him to luncheon. At the table, as a guest, was Bao-Dai's own chauffeur.

His life was not worth much in Communist Vietminh; in the spring of 1946 its value sank to nearly nothing. A few young people, in mistaken ardor, marched through the streets of Hanoi demonstrating in his favor, shouting: "Long live the Emperor!" The aftermath was immediate and drastic. Bao-Dai was exiled to a remote province, where he lived in fear of the arrival of an order for his execution.

Instead, it was Ho Chi Minh who came, with an offer designed to test Bao-Dai's ambitions. The old man wept, embraced him, and said:

"I am too old and feeble to direct the state. Take my place—not as the Emperor, but as chief of the revolutionary movement."

Bao-Dai's life hung on his answer. He did not know it, but Ho Chi Minh had the order for his execution in his pocket, to be carried out if he accepted. He did not. He was profuse in his excuses, but he refused. Ho left, and a few days later Bao-Dai was given permission to return to Hanoi.

These were his last days in the Vietminh capital. Chinese troops were sent into the area to disarm the remaining Japanese, and their commander, General Lou-Han, arranged Bao-Dai's escape to Hong Kong on an American plane. In effect, the ex-Emperor was going into exile.

BAO-DAI the refugee soon was an almost forgotten man. His life, behind a façade of glamor, was a shabby one, for he had little money. But when, in 1949, the French authorities approached him with a proposal to set him up once more as Chief of State of Viet Nam, he saw his opportunity.

The French were bogged down in the war in Indo-China; they needed a rallying point for the people's support. Bao-Dai was essential to the plan they had in mind: to make the wearing struggle against the Vietminh an inspiring patriotic war for the survival of a free Viet Nam. The former Emperor imposed conditions. He reserved for himself rights which would make it possible, in time, for him to exercise real power. The French reluctantly agreed.

From the beginning, the French authorities were disappointed in the man they had sought to make

The Son of Heaven, *Bao-Dai in 1932 quit Paris high life to sit in impotent splendor on the colonial throne of Annam.*

A worldly exile *in Cannes, Bao-Dai emerges smiling from 1949 meeting with French to prepare his return to power.*

their puppet. For Bao-Dai began his rule in Viet Nam by doing nothing at all.

His arrival, with his complete indifference for those who came to welcome him, proved to be symbolic. Bao-Dai, in fact, was initiating a policy of self-effacement. He wanted his subjects to forget that he had returned only thanks to the French, as an agent of colonialism at a time when liberation was the people's watchword. He established himself at Dalat, on a high plateau in the heart of the jungle. There he led the life of an epicurean recluse surrounded by a small court of princes, mandarins and old friends. He lived, not in a palace, but in a charming modern villa.

His life revolved around the things he loved best—hunting, fishing, poker, bridge and parties. North of Banmethuot, in the virgin wilderness, he built a hunting lodge on a hilltop overlooking a beautiful mountain lake. He bought wild animals captured by the natives and once again built up a herd of tame elephants. He wanted particularly a herd of *gaurs*, the immense and savage wild cattle of the area which stand more than six feet high at the withers. On the balcony of his lodge he installed a powerful telescope with which to study them as they grazed on the mountainside at sunrise and sunset.

HE SURROUNDED himself with people he trusted. Many of them are adventurers—men he knows and appreciates as *bons vivants*, as fearless, resourceful and intelligent friends. Beyond these chosen few, Bao-Dai puts his faith in no man. His distrust of humanity is extreme. In the years when death was the penalty for a false move, he developed a secretiveness and suspiciousness which have not left him. To those who offend or oppose him he can be hard and cruel, deliberately preparing his revenge. Yet to his friends he shows the tolerance, almost kindness, of the complete cynic who believes in no one but himself.

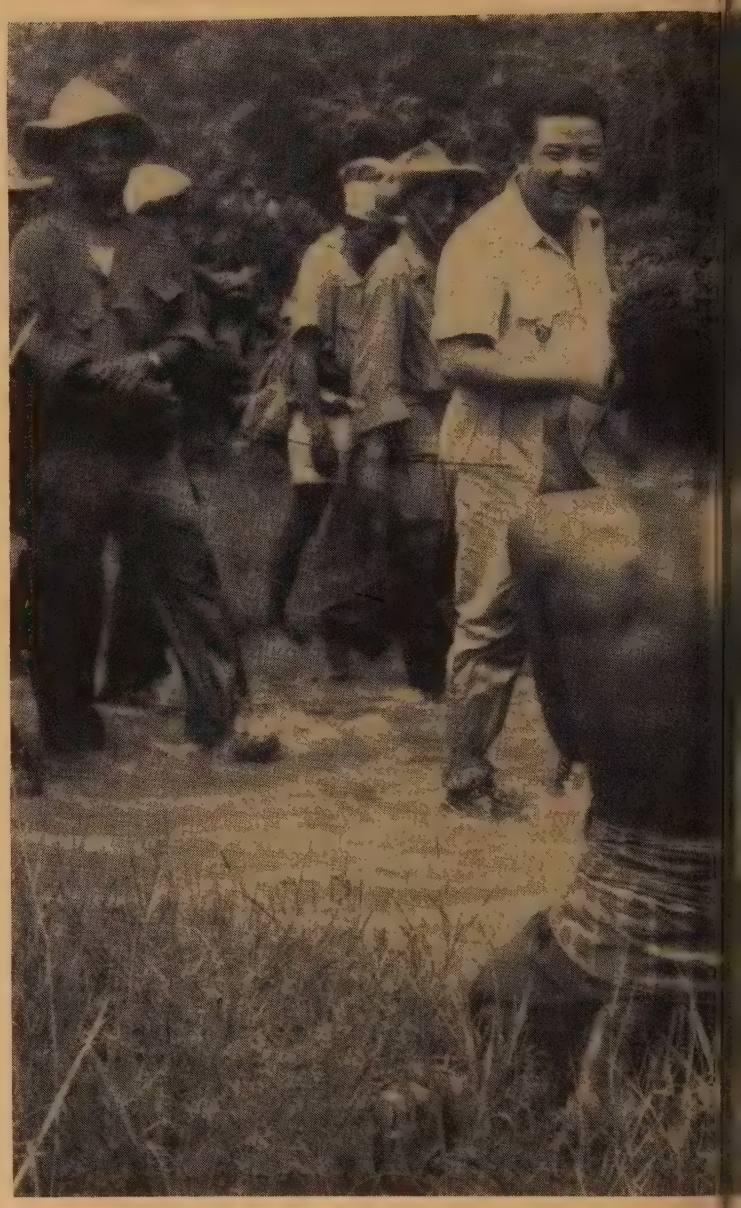
At Dalat, too, Bao-Dai built up a transportation fleet on land, on the sea and in the air, ready for any contingency. He bought fine sports cars, a yacht, and several airplanes maintained by French crews, one of them a converted long-range Liberator bomber. The stewardess of his air fleet is a young Eurasian internationally famous for her beauty.

Bao-Dai was careful not to antagonize the French. Though they needed him, he was aware that his position depended on them also: without France, nationalist Viet Nam would go under, an easy prey for Ho Chi Minh. He cooperated with the authorities, appointed pro-French ministers under constitutional laws which gave him the right to set up and dismiss governments as he chose. But he used this power cleverly. He made men only to undermine them after a while. By Machiavellian intrigues he inched toward his ultimate goal: restoration of his empire and undisputed control over an independent Viet Nam state.

Bit by bit, he improved his position. Unobtrusively he reestablished the trappings of empire. More and more he was His Majesty. He inaugurated an Imperial Cabinet which may eventually supplant the government. And, finally, he accumulated money and put it away in a safe place. He had no intention of ever again facing the near-misery of his exile in Hong Kong.

Today, after years of painstaking preparation, Bao-Dai is about to reap his reward. By exploiting Viet Nam's aspirations to independence, he has made himself his people's spokesman. He has pledged the French full assistance in the war against the Vietminh. He has maintained friendly relations with the United States, counting on continued US military aid and hoping that US intercession with the French will win Viet Nam freedom from colonial rule. He has studiously practiced a hands-off policy toward Communist China, avoiding any action which could possibly lead

THE LITTLE KING PUT AWAY



A demigod *to his kneeling bush subjects, King Sihanouk of Cambodia exploits the pious role assigned him by*

HIS TOYS TO PLAY WITH FIRE

France. But he values even more the loyalty of his nationalist-minded army, which he leads during maneuvers.

to full scale Red intervention from the north in the Indo-Chinese war.

In Viet Nam, he has already, in effect, established a personal regime. He has succeeded in organizing a National Assembly which, while preserving the outward appearances of democracy, cannot be dangerous to him. Full restoration of the ancient empire of Annam as a free and sovereign nation is now within his grasp.

But Bao-Dai operates solely from the top, and only with important people. He distrusts the common man. His power rests on the classic instruments of might: army, police, functionaries. His regime, like that of the Kuomintang, has no ideology, no *élan*. As long as this situation persists, Bao-Dai will have to depend on protection, whether French or American.

By Bao-Dai's own standards, he has done a good job. The future, he is convinced, will be decided by an all-out war between Russia and the United States. If communism wins, so much the worse; he is ready to flee the country and live the life of a rich refugee in some non-Communist corner of the world. If communism loses, he will have built something solid: the empire of his forefathers, with himself its ruler.

BEYOND a frontier running crookedly southwest of Bao-Dai's embattled homeland lives the youngest of the three kings. Compared to the twenty-five million diligent and energetic subjects of Viet Nam, Sihanouk's is a small nation. It numbers some four million people, tall in stature, dark and handsome. The Cambodians are known chiefly for their charm, their piety and their happy indolence.

For many years King Sihanouk was nicknamed "The Little King." He is thirty-one years old, very short, very plump, with a soft manner and a high, piping voice. His palace at Pnompenh—a name which reads like a cold in the head but is pronounced *p'nom'pen*—has pointed roofs, seven-storied parasols and stylized cobra heads which look like the stage set for an exotic operetta.

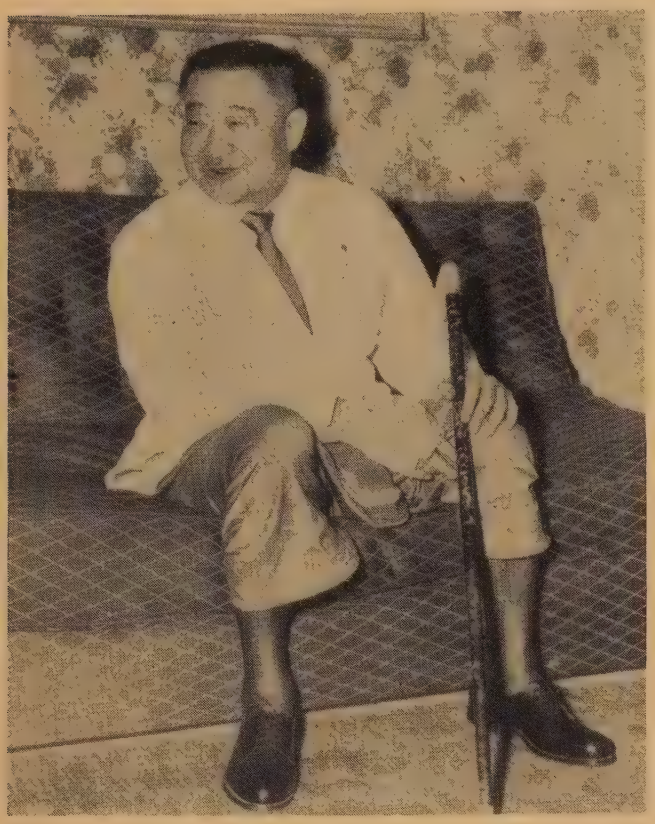
Sihanouk is King of Cambodia because the French authorities made an error in judgment. When the old King Sisowath died in 1941, his rightful successor was Crown Prince Monireth, a big, handsome man every inch a ruler. He was a strong personality with a cultivated intelligence, paternalistic toward his people and above any kind of fanaticism. But the French wanted a more malleable ruler—a man they could influence. So they passed over Monireth and chose instead his nephew Sihanouk.

Sihanouk was still a schoolboy at this time, attending the Lycée Chasseloub Laubat in Saigon. Colorless and immature, in no way prepared for leadership, he seemed ideal material for a colonial sovereign.

For a while Sihanouk remained what he appeared to be: an uncomplicated and somewhat naive young man. He was sent to the French cavalry school at Saumur, where he was able to indulge his love for horses. He developed a passion for moving pictures—not just watching them, but producing and acting in them. He set his court to writing scenarios and turning out films. He also had a small talent for composing. He wrote a song called "Clair de Lune sur Kep," which became a hit throughout Cambodia, as well as marches for military bands.

In these early years, the palace at Pnompenh was a lively and surprising place. Often there were war games in which the entire court participated. If a naval battle was involved, it was staged in the palace swimming pool with accurate scale-model warships. Sihanouk's toy arsenal was complete: for land campaigns he had whole armies with miniature tanks and artillery, which fired tiny bullets by remote control. One army was usually "American," another "Russian,"

THE OLD KING KEPT HIS TRUST IN BUDDHA—AND FRANCE



***Rheumatism** goads Sisavang Vong into 10,000-mile voyage to a French spa, leaving Laos in the care of a sacred image.*

another "French," and so on. The young King generally reserved command of the "American" troops for himself.

Occasionally, Sihanouk gathered friends and acquaintances for an all-night dance at the palace. Among his guests were Cambodian dignitaries and sometimes Frenchmen—but never high officials of the administration. Sihanouk preferred lesser sahibs, shopkeepers or businessmen who had lived in Cambodia for many years and had to some extent assimilated the little kingdom's ways.

The King never married, but his family was large. He kept concubines and mistresses, among them two of his aunts. Since he is a sentimental man, his liaisons frequently became complicated affairs which were reflected in Cambodian politics. These women presented Sihanouk with several children, whom he adores.

The French viewed this harmless life with indulgence, congratulating themselves on having exercised wisdom and discretion in their choice of king. And yet, of the three kings of Indo-China, it was Sihanouk who came into abrupt, open conflict with France and the United States—because he suddenly became a mystic.

No one foresaw the wave of nationalism which swept Cambodia like a fever at the close of World War II. And no one would have believed that "The Little King" would ally himself with this movement. Yet had the French been less blind to the true nature of the Cambodians, traditionally the "good" people of the Indo-China colony, they might have been prepared for it. For beneath their gaiety and charm the subjects of Sihanouk conceal strong passions which make them infinitely less calculating and therefore less reasonable than the Viet-Namese. And Sihanouk —a typical Cambodian—proved no less passionate than his people.

The instruments of Sihanouk's emergence as a nationalist were the Buddhist priests of Cambodia. In that little land the influence of these holy men is immense. They are spiritual mentors and soothsayers whose word is holy law—and they are fiercely nationalist and xenophobe.

Despite his modern manners, Sihanouk is a deeply pious man who once put on a priest's yellow robes, the symbol of humility and dust, and spent a month in a monastery, enduring without complaint the rigid, austere life of a plain monk. Priests surround him, ministering to his spiritual welfare, reading the stars and foretelling his future.

A year ago the King lost a small daughter. He was inconsolable. For weeks he shut himself up in his palace. No one was permitted to approach him—except the priests, who told him this was a punishment from Heaven because he was submissive to the French.

Sihanouk and his subjects scorned the prosaic wisdom of the French and other nations, believing themselves and their country to be divinely favored. When, at one of Sihanouk's public appearances, the sun was veiled by a seven-ringed halo, the press and the people acclaimed the phenomenon as a salute to the King from Heaven. Against such convictions the French were helpless. Sihanouk ignored their arguments that without foreign aid and friendship Cambodia would rapidly decline into the impotent anarchy which had prevailed when they took over, that some day the extremists would turn against their sovereign.

•

SIHANOUK's faith and fervor are buttressed by a past filled with passionate crises of conscience. For years, he could not decide where the welfare of his people lay. Beset by fearful doubts, he hesitated between a Western order with the French, and total independence under the symbol of the miraculous. He took contradictory decisions, each time justifying himself before the nation in touchingly sincere proclamations.

Last spring, the French had reason to believe that they had won the struggle. In the name of law and order, Sihanouk dissolved the "revolutionary parliament" of Cambodia, a move which openly aligned him with the French. But within a few months he reversed himself again. He became the apostle of revolt, pro-

claiming to the world a burning resistance to French oppression, fleeing finally to Siam, whence he launched an epic campaign under the slogan: "Death is better than slavery." In the end he was defying not only France but the United States with a fierce, extraordinary and superb stubbornness which nothing and nobody could move.

Where Bao-Dai would have waited, calculating shrewdly, Sihanouk plunged blindly, appealing to the conscience of the world and to the deepest instincts of his people. "I have returned to the bosom of the fatherland," he announced last June, "only after swearing a holy oath that I would never see my capital Pnompenh again without bringing to you, my compatriots, complete liberation, total deliverance, true independence for Cambodia. We shall never consider joining a French Union until France has consented to give us, as a necessary prerequisite, our full independence, just as Great Britain gave theirs to India and Pakistan after the Second World War."

By what must seem a miracle of politics, Sihanouk has, in effect, won independence for Cambodia—and without losing the financial support of France and the United States. He has succeeded in remaining neutral in the war with the Vietminh, on the principle enunciated recently by his Prime Minister Penn Outh: "We have no wish to interfere in anyone's affairs provided no one interferes in ours." He has succeeded in giving the United States the assurance of a theoretical anti-communism, and he has succeeded in obtaining continued military assistance from the French without even pledging military cooperation in return. Whether he can continue on the narrow, dizzying path which brought him to this victory, however, is another matter; for he has yet to face the harsh realities of freedom.

BEYOND the majestic Mekong River, flowing from the high plateau of Viet Nam to the South China Sea, lives the oldest of the three kings in a land which some describe as paradise. Laos is one of the world's most obscure nations, and Sisavang Vong is one of its most modest sovereigns. His subjects number some two million souls of many creeds and races, living in jungle and mountain villages. There are the Meos of the mountain peaks who cultivate opium, the primitive Mois of the south, the long-haired Hunis along the Chinese frontier; there are even, near the borders of Siam, tribes of elephant hunters renowned as sorcerers. The Laotians, who make up the majority of Laos' heterogeneous population, live in the valleys and on the banks of the Mekong. They are a gentle, good-natured people of whom it is said that their most strenuous occupation is listening to the rice grow. Their women are famous for their grace, their chignon hairdress and the striking colors they wear.

King Sisavang Vong, the sixty-eight-year-old ruler in the distant capital of Luang-Prabang, is a product of ancient Asia. He does not even speak French. Beloved by his people, he is full of piety, dignity and respect for old traditions. According to custom, he has many wives. With age he has grown fat and suffers from acute rheumatism. Almost every year he travels halfway around the world to the French spa of Vittel to take the cure, affording the outside world brief

(*Continued on page* 70)

Sign of the cross *marks one of 15,000 Frenchmen fallen in Indo-China. To share this sacrifice, France urges the three kings to mobilize their sullen peasants, at the risk that kings with armies may make Indo-China a grave of empire.*

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How are we doing abroad ?

This month, WORLD's correspondents are able to report that, for once, the stock of the United States is slowly rising on the crucial exchange of world public opinion.

Here are their cables:

ROME

Leo Lania reports:

"Perhaps never before in history has a great people owed so much gratitude to such a tiny, fragile, gentle creature."

In these rhapsodic words the influential *Corriere della Sera* of Milan expressed Italy's thanks to America's blond ambassador, Clare Boothe Luce, a national heroine since the announcement that Trieste's Zone A, including the port city itself, would be returned to Italy in defiance of Marshal Tito's bristling opposition.

Despite her diplomatic disclaimers, Italians give Mrs. Luce full credit for the bold Allied decision.

PANMUNJOM

Sydell Magelaner reports:

For the first time since the new Eisenhower-Dulles policy began to take shape, the US is making real headway in its struggle with communism for the mind of Asia.

This policy, as America's Asian friends understand it, is that the Administration places the Far East on the same level of political importance as Europe.

The line formulated by General George C. Marshall, as Secretary of State, that holding Asia is not essential to US security, has been repudiated. Our friends like us better for this; the neutrals respect us; our foes are learning a stern lesson.

The mutual security pact with South Korea has placed the US firmly on the Asiatic mainland. That this might be the pattern for similar agreements with other free mainland nations, such as Thailand and, perhaps, the Indo-Chinese states, has not been lost on either free or Communist Asia.

This prospect has profoundly impressed India, Indonesia, Pakistan and Burma, whose presence at the projected Korean conference the US thus far has blocked.

As the preliminary talks have continued, these four "neutrals" have slowly been losing their resentment at the US attitude. They have come to realize that American opposition was not aimed at them, but at Red stalling.

Largely responsible for this change of heart has been the UN negotiator, New York lawyer Arthur H. Dean, whose genuine desire to arrange the conference—and willingness to make reasonable concessions to bring this about—has been obvious to all observers.

The Communists, in contrast, have confined themselves to obstruction and abuse—and this also has been obvious, especially to the Indians in charge of the POWs refusing repatriation.

Asian respect for America also has been increased by the vast improvement in relations between US officers and Lieutenant General K. S. Thimayya, the able Indian chairman of the Neutral Nations Repatriation Commission.

In Japan, where anti-Americanism reached a postwar high early in the fall, US popularity again is rising.

Officially the following developments are given credit:

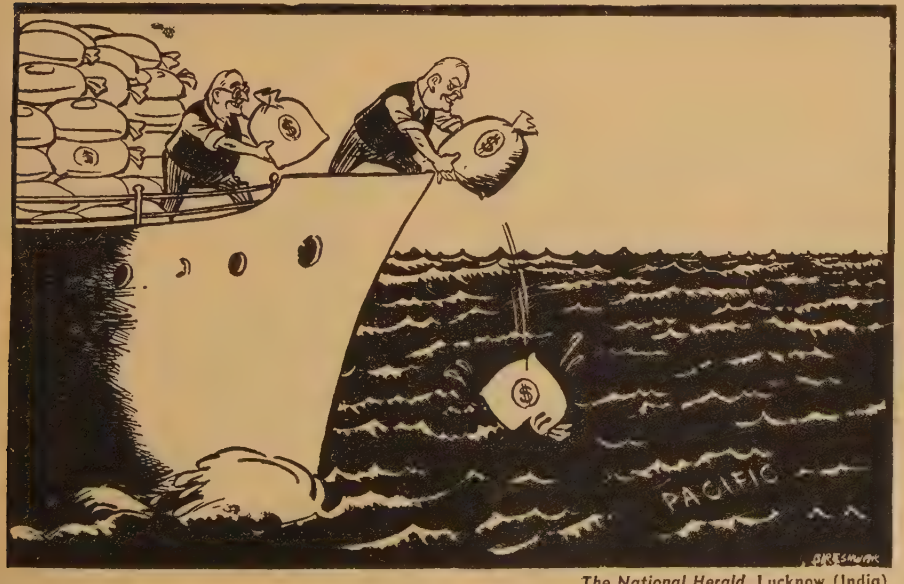
The US Army's granting Japanese courts the right to try US military personnel.

The visit of Vice President Nixon.

Better press relations, including frank statements by the government on why Japanese rearmament is a national necessity, and is not the result of US "imperialism."

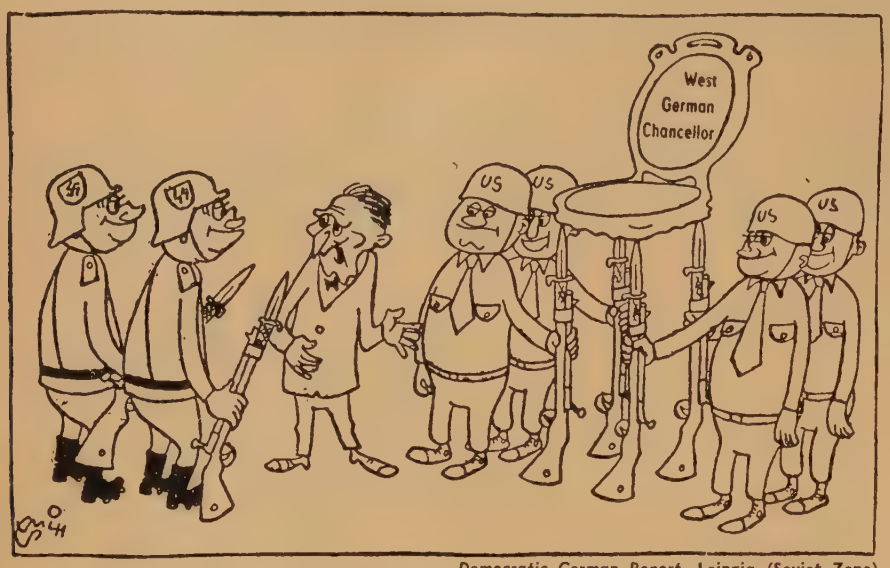
Realistic observers, however, insist that a completely different factor is responsible for Japan's mellower attitude toward Americans:

The triumphant tour of two base-



The National Herald, Lucknow (India)

The US gives France another $385 million to win the war in Indo-China



Democratic German Report, Leipzig (Soviet Zone)

Adenauer: "German bayonets will answer the vile slander that only the United States upholds me!"

ball teams, the New York Giants and Eddie Lopat's Big League All-Stars.

Everywhere the baseball-crazy Japanese greeted them with delirious enthusiasm, jamming the stands to overflowing.

BOMBAY

Frank Moraes reports:

US popularity in India is slowly increasing after plummeting to the depths because of Washington's refusal to seat India in the proposed Korean conference and US press criticism of the Indian troops in charge of the POWs refusing repatriation.

Chiefly responsible for this upsurge are reports from the US that the American people now are much more aware of the difficult job the Indian forces have undertaken—and appreciate that they are carrying out a thankless task with patience and tact.

US officials in Panmunjom and Seoul have reached these same conclusions. US Ambassador to India George V. Allen is understood to have brought back to Prime Minister Nehru from his recent Korean trip flattering comment on the conduct of the Indian troops.

Indian opinion, however, resents the statement of Senator Knowland of California that it would be a mistake for the West to regard Nehru as the true spokesman in the councils of World affairs for all the non-Communist peoples and nations of Asia.

Indian leaders point out that the vast Asian masses emerging from colonial rule must now turn to New Delhi—or else to Moscow and Peking. They state:

"The choice is not between Nehru and Eisenhower. It is between Nehru and Mao Tse-tung."

BONN

Emlyn Williams reports:

The US is popular in West Germany, not only because the hard-headed Germans know they are dependent on Washington economically and politically, but because American democracy has made a profound impression.

The influential *Frankfurter Allgemeine Zeitung* wrote recently:

"The visitor [to the US] is amazed that parliamentary democracy could stamp itself on a whole continent so clearly and so unchangeably.

"Secretary of Agriculture Benson states in a technical review that he would welcome suggestions from farmers, and that when 'we have studied all your suggestions, then we shall make proposals to Congress.'

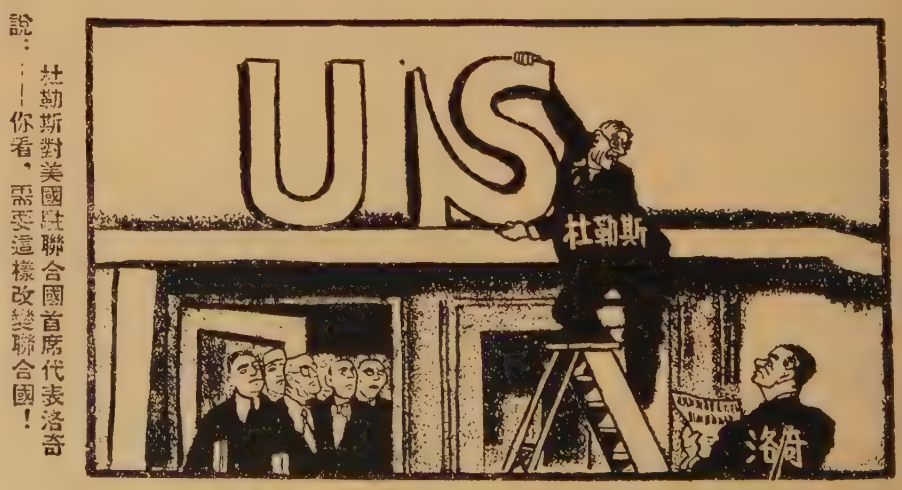
"Can one imagine our finance minister requesting the views of taxpayers on the future tax reform, or the housing minister inquiring as to what the people thought about the appropriateness of his housing policy?"

However, two recent US actions have drawn West German criticism.

The bungling of the announcement of the Trieste decision was blamed on a careless "hit or miss" US attitude which the methodical Germans consider both deplorable and characteristically American.

The West German press also commented ironically on the US bases pact with Franco, insisting that this demonstrated Washington could "forget all about the principles of democracy" when military advantage was at stake.

The bitter aftertaste of the dismissals earlier this year of Theodore Kaghan and other top US officials in



Ta Kung Pao, Tientsin

Dulles: "Now, Mr. Lodge, if we twist the 'N' just a little . . ."

Bone of contention — *Vrij Nederland, Amsterdam*

Germany—after pressure from Senator McCarthy—still lingers in the mouths of West Germans.

They cannot reconcile such actions with American protestations of democracy, and even the most legitimate dismissals of US personnel stationed here brings the comment: "Senator McCarthy must be mixed up in it."

BELGRADE

Eric Bourne reports:

The Trieste dispute is nearing amicable settlement, and anti-West demonstrations have died down.

But there is no doubt that the abrupt Allied announcement did grave injury to the prestige of the West, particularly of the US, and destroyed much of the good will built up by American military aid.

The new Soviet ambassador, chubby Vassili Valkov, has been plying leading Yugoslav diplomats and journalists with caviar and Caucasian champagne, crowing "I told you so" and "only fools trust the West."

America's leaders must remember that nationalistic Yugoslavia, after the 1948 break with Moscow, retreated into almost complete isolation — and could do so again if its bristling national pride was hurt.

President Tito, in a recent speech on Trieste, said significantly that "we already know what hunger is."

The US bases agreement with Franco Spain has aroused sharp criticism and resentment, especially because its champions in America placed it on a par morally with US aid to Yugoslavia's anti-Soviet but Communist regime. Belgrade's official newspaper and organ of the Communist party, *Borba*, thundered:

"This is a slander on Yugoslavia, whose sacrifices in the war against fascism gave us the right to say that we too—as Lincoln said of America—are a 'nation conceived in liberty'."

Borba insisted that Yugoslavia is a country "where the principles of freedom, respect for men and respect for democracy are showing their value in practice," while Franco is the "hangman of the Spanish people."

LONDON

Cecil F. Melville reports:

Latest strain on US-British relations, slowly mending after the rifts over the make-up of the Korean conference and the admission of Peking to the UN, has been imposed by Senate Majority Leader Knowland's recent public statement implying that Great Britain still is an imperialist-minded "colonial power."

This has aroused keen resentment in top Whitehall circles, and one high official stated:

"When Colonial Secretary Lyttelton took drastic action in British Guiana, suspended the new Constitution and landed troops to nip in the bud the long-term People's Progressive party plot to turn the area into a Communist-dominated state on the satellite model, there were no objections to be heard from any quarter in the United States.

"The fact that a Communist threat had to be dealt with, and also that American military interests would have been threatened if the Communists had succeeded, caused all shades of US opinion to welcome the British government's strong action in one of its possessions.

"Was this colonialism?"

He added that "happily, we know that US administration members who actually work with Britain in world affairs realize that our so-called 'colonialism' is as dead as George III, George Washington and the dodo."

Aux Ecoutes, Paris

Franco's new Fascist salute

Who Will Rule Spain After the Generalissimo?

THE Succession Law of 1947 formally redesignated Spain as a monarchy, but recognized Franco as provisional regent and chief of state. It provided that the Regency Council, either at the Caudillo's pleasure or after his death, would name the new monarch, who must be a Bourbon and have attained his thirtieth year.

If Franco intended to foster dissension among the Bourbon pretenders he couldn't have devised a better formula. Alfonso XIII officially abdicated in 1941—after ten years of exile—in favor of his third son, Prince Don Juan, Duke of Barcelona. Therefore Don Juan considers himself the sole legitimate heir to the throne, and he contests the validity of Franco's law because it would replace Spain's hereditary monarchy by an elective one.

Don Juan told Franco so when the two met aboard the yacht *Azor* in August 1948. Angered, the short, paunchy dictator, who was visibly uneasy in the presence of the towering six-foot-four Duke, decided then and there that he would never let that man get on the throne as long as he was in power. All he would agree to was that Don Juan's son Juanito be educated in Spanish schools.

This led interested parties to the conclusion that Don Juan would in time relinquish his royal rights in the boy's favor. But Don Juan is only forty and in excellent health, while Franco is sixty-two and suffers from asthma. So the Prince firmly expects to occupy the throne one day, all the more so as the age clause in Franco's succession law wouldn't permit sixteen-year-old Juanito to reign before 1967. "I see no reason," he declared a few weeks ago, "why I should take King Leopold of Belgium as a model in solving the problems of the Spanish monarchy."

Of late, however, Don Juan's claims to the crown have been seriously challenged by Prince Don Jaime, Duke of Segovia, his only surviving elder brother. Don Jaime had to abandon his seniority rights in 1933 because, as a deaf-mute, he was manifestly unfit to become king. Today he is still deaf but no longer mute; he has been taught to speak quite fluently by his second wife, the former German opera singer Charlotte Tiedemann. In his opinion, this cure has restored the *status quo ante*. "My renunciation had no legal value," he says, "because it was never approved by the Cortes."

Don Jaime has no personal ambitions: he knows that he cannot become king as long as the Church refuses to annul his first marriage. In the eyes of the Church—and in Spain that means the State—he is living in sin with his second wife. What he really wants is to see his son Alfonso installed on the throne. According to Don Jaime, this seventeen-year-old boy is the only rightful pretender "as the eldest living son of the eldest living son" of Alfonso XIII and ought to be called upon to rule as Alfonso XIV. In that case, his younger brother Gonzalo would become crown prince.

IN ORDER to improve his sons' chances of succession, Don Jaime wants to have them educated in Spain, as is his nephew Juanito. So recently he asked the Ministry of the Interior to allow them to study in a Spanish university. Permission was granted, but there was a hitch: the boys didn't want to go.

They didn't want to go because they were completely under the spell of their mother, the former Donna Emmanuela de Dampierre, daughter of a Roman viscount, who is now the wife of the Milan stockbroker Tonino Sozzani. She was granted custody of the children when her marriage to Don Jaime was annulled by a Bucharest court in June 1947 "because it had been contracted against her will." Since then she has done everything in her power to remove the two Infantes of Spain from all Iberian influences. They were enrolled at fashionable Montana College on the Zugerberg in Switzerland and now speak fluent English, Italian, French, German—but not a word of Spanish.

Last June, Don Jaime sent representatives to Montana College who asked that the two boys be turned over to them. When director Joseph Ostermeyer refused to do so, Don Jaime appealed to the canton's tribunal. It rejected his demand because it could not determine whether he had lost his paternal rights.

Thereupon Don Jaime's lawyer, Jean Lemaire, asked the Tribunal de la Seine to rule on the matter, since Paris was the prince's legal residence. But the French tribunal also declared itself incompetent; the case has been appealed to a higher French court.

DON JAIME'S efforts to establish his parental status are not entirely unselfish. If his son became king, he would of course enjoy enormous financial benefits. King Alfonso XIII left $2.8 million in cash, plus various estates and industrial shares, at the disposal of the "chief of the family"—assets which remain blocked in Britain until the "chief" is determined legally.

Meanwhile, from his Estoril retreat, Don Juan is watching—and relishing—his brother's difficulties. But many observers believe that Don Juan spoiled his and his son's chances for good last February when he forbade all members of his House to attend a memorial service for Alfonso XIII organized by General Franco. Don Juan's old friend and lawyer, the veteran statesman Gil Robles, was so shocked by this deliberate snub that he has now gone over to the camp of Don Jaime.

However, Don Juan recently gained unexpected support from a faction to whom Franco is deeply indebted, the blue-bereted Carlist *requetes* who largely made possible his Civil War victory.

The Carlists, Spain's Jacobites, have battled against monarchy and republic alike ever since Isabella II, Alfonso's grandmother, assumed the throne in 1830 in defiance of the claims of her uncle, the first Don Carlos.

But now, since the Carlist pretender, Archduke Karl Salvador of Hapsburg, claims the throne through his mother, the Carlists have switched their allegiance to Don Juan.

Thus the field is wide open, but Franco's intimates assert that he plans to choose his royal heir during his lifetime in order to spare Spain the vicissitudes of a struggle for power.

News & Consequences

EAST-WEST DEEP FREEZE

Oct. 18 — US, Great Britain, France invite USSR to foreign ministers' meeting on Germany, Austria.

Oct. 27 — US intimates it "might" consider top level talks--but only after EDC is ratified.

Oct. 28 — Eisenhower denies US will cut troops abroad.

Nov. 3 — Moscow, in 18-page reply to three power note, calls for five-power conference (including Red China) on world tension, then four-power talks on Germany.

Nov. 3 — Churchill, withdrawing from previous stand, says West should not expect a general settlement from possible top-level talks with Malenkov.

Nov. 4 — Eisenhower declares Soviet reply shows "no intention to get together."

Nov. 5 — Eden tells Commons West still ready to discuss Austria, Germany "at any time and at any place and without any prior conditions," but must now spur defense, West German rearming.

Nov. 6 — In Moscow broadcast Voroshilov says general settlement impossible until Peking is admitted to UN.

Nov. 9 — Eisenhower, Churchill, Laniel meeting in Bermuda Dec. 4-8 to review relations with USSR.

Nov. 9 — Dulles says Red China might be recognized, might win UN membership, if it ended Korean, Indo-Chinese aggression

ESSENCE: The USSR does NOT want war. Equally, it does NOT want any general European settlement, since this would entail Soviet withdrawal from Germany and Austria, and thus remove the legal basis for the stationing of Russian troops in the satellites. Without Kremlin bayonets, the puppet regimes have no prospect of survival.

PROSPECT: There will be NO sharp change in Soviet policy until Malenkov and his military backers consolidate their position internally. Moscow will continue its endless offers to negotiate--on impossible conditions. By bluff and bribery, it will attempt to split the Western Alliance, to bar West German rearming, to prevent French ratification of EDC.

PANMUNJOM PROCRASTINATION

Oct. 16 — Only 10 of 500 Chinese POWs accept repatriation; Neutral Nations Repatriation Commissinn balks at Communist "explanation" tactics.

Oct. 20 — Chinese, North Koreans accept US proposal for Panmunjom meeting to arrange Korean political conference.

Oct. 26-30 — UN representative Dean, in major concession, expressed willingness to discuss presence of neutrals once time and place settled; Reds reject this as a "trick."

Oct. 28-29 — US Army charges 6,113 US military personnel murdered, tortured, starved while Red prisoners; atrocity victims total 29,815. US places report on UN Assembly agenda.

Nov. 2-5 — Panmunjom talks renewed, Communists accept Dean proposal that subcommittees try to work out conference agenda.

Nov. 2-9 "Explanations" break down; Indians, Swedes, Swiss protest Red "harassment" of POWs; Indian Commission Chairman Thimayya asks Communist "explainers" to "soften" attitude.

Nov. 8 Congressional committee just back from Korea fears Rhee will use rehabilitation funds for politics, not reconstruction.

POLICY: Peking, like Moscow, doesn't want war, but doesn't want a genuine settlement either, since a unified Korea would inevitably be non-Communist, and would mean that China's Manchurian industrial area would have an anti-Red neighbor. Probabilities are that, after the US consents to participation of the Asian "neutrals," the conference will take place--but it won't result in unification of Korea, only in perpetuation of the present stalemate.

INDO-CHINA EXIT?

Oct. 22 France signs treaty making Laos "fully independent and sovereign" within French Union; attack opened on Vietminh forces south of Red River Delta.

Oct. 28 Laniel warns Viet Nam that France will pull out if "conception of the French Union" is questioned.

Nov. 2-4 Vice President Nixon, touring Indo-China, warns Viet Nam against leaving Union or attempting to oust French before Communist threat is ended; adds US opposes negotiated peace.

Nov. 7 French claim Vietminh attack preparations smashed south of delta.

Nov. 8 French Social and Democratic Union calls for negotiated peace; Defense Minister Pleven quits party.

PREDICAMENT: Despite enormous and increasing US aid, there are NO prospects of a decisive French military victory. The Indo-Chinese states demand more and more freedom; in France, the popular demand for a withdrawal at almost any price is becoming a tidal wave. The prospects are grim; if France can't arrange a negotiated peace she may pull out anyway.

ISRAEL ON THE SPOT

Oct. 16-19 Britain calls Israeli Oct. 14 Kibya raid--53 Arabs killed--an "apparently calculated attack"; Washington demands punishment of persons responsible; Ben-Gurion places "all responsibility" on Jordan, which "tolerated and thereby encouraged" murderous attacks on Israeli settlers.

Oct. 20 Dulles announces aid to Israel suspended, ostensibly because UN-banned Jordan Valley hydroelectric project still in operation.

Oct. 27 UN Truce Supervision Chief Vagn Bennike tells Security Council Israeli-Jordan tension near "breaking point."

Oct. 28 Eisenhower restores aid to Israel when Jordan Valley project halted.

Nov. 2 Lebanon rejects US plan for Jordan valley "TVA," but insiders consider project still has 50-50 chance.

Nov. 4 Ben-Gurion resigns as Israeli Prime Minister, insists needs two-year rest.

Nov. 5 Archbishop of York says "Jewish vote in New York" is paralyzing UN action to settle the Israeli Arab dispute.

Nov. 9 US, Britain, France and Greece tell UN Israel is responsible for Kibya raid.

Nov. 9 King Ibn Saud of Saudi Arabia dies at 73, succeeded by eldest son, Saud Ibn Abdul Aziz.

Nov. 11 Jordan Premier Fawzi el Mulki threatens to invoke treaty with Britain, ask for British troops, if Israeli attacks renewed; Israel submits refugee plan which bars repatriation.

SOLUTION: The US-sponsored Jordan Valley "TVA" may yet save the day by offering an economic way out to both Israel and her Arab neighbors, and largely solving the tragic refugee problem. The stern Western UN admonitions to Israel are primarily for Arab consumption, a counter-move to Moscow's ardent courtship of the Arab League nations. Death of Saudi Arabia's Ibn Saud may aid the Kremlin, since Saud, the new King, is not nearly so pro-West.

TRIESTE EXPLOSION

Oct. 15 Yugoslavia says Soviet protest is "in the interests of neither Yugoslavia nor the Trieste population."

Oct. 15 Yugoslav government approves military measures to block Italian occupation of Zone A; Pella warns that US, Britain, France risk "grave consequences" unless area is turned over to Italy.

Oct. 18-31 Five-power talks proposed in behind-the-scenes negotiations; Yugoslavia aks "utmost speed," promises to attend "without prior conditions."

Nov. 2 Security Council postpones considering issue until Nov. 23.

Nov. 4 Yugoslavia calls Italian troop movements NATO violation.

Nov. 5-7 Six killed, 60 wounded, as pro-Italian riots sweep Trieste; Washington takes "serious view," presses for speedy negotiations; Eden takes similar view, holds Italy responsible; riots against Britain, US in Rome; Yugoslavia proposes agenda-less talks "as soon as possible."

Nov. 10 Yugoslavia tells Italy differences could, should be settled peacefully.

Nov. 11 Tito plans "sharp comment" in Sunday address unless Allies make favorable new proposal by weekend; Yugoslav Foreign Minister Popovic says plebiscite would be "anti-democratic measure" which would settle nothing.

(Continued on next page)

FUTURE: Trieste is NOT worth war to either Yugoslavia or Italy. But the disturbances in both countries have taught the US and Britain a needed lesson--don't take precipitate action which ignores national pride.

Way out probably will be found through the latest Yugoslav formula, since an agenda-less conference would permit both countries to save face by avoiding retraction of saber-rattling public statements. Ultimate solution will be along the lines of the Allied announcement, with minor pro-Yugoslav border changes. Meanwhile, US and British troops will remain on hand.

UNEASY COMMONWEALTH

Oct. 19 Minister of State Hopkinson arrives to investigate British Guiana situation; ousted Prime Minister Jagan flies to London to lay case before Attlee, Colonial Secretary Lyttelton.

Oct. 21 Malan demands three British-protected native territories, Basutoland, Swaziland, Bechuanaland, be transferred to South African Union within five years.

Oct. 23 Central African Federation--Northern Rhodesia, Southern Rhodesia, Nyasaland--officially proclaimed; voting regulations bar almost all natives.

Nov. 2 Pakistan Constituent Assembly votes to proclaim nation "Islamic Republic" within Commonwealth; Hindu delegates walk out.

Nov. 2-10 Anglo-Egyptian Sudan begins five-week voting for first parliament, which will choose union with Egypt, Commonwealth status, or independence; Eden charges Egyptian interference; Suez talks continue indecisively.

POSITION: British Guiana is well in hand, but a similar situation threatens in British Honduras, where a new constitution is to go into effect in the spring, and Red agitation is spreading in Trinidad and Jamaica. All three areas suffer from racial and economic grievances. In Africa, Egypt from the north and Prime Minister Malan from the south threaten to upset the apple cart.

WINNING FOR THE WEST

Oct. 31 Japan agrees to increase defense forces.

Oct. 28-31 Anglo-Iranian negotiations continue; Foreign Minister Entezam says diplomatic relations will be resumed, oil talks started, in near future.

Nov. 7 Yugoslavia, Greece, Turkey form joint secretariat to coordinate military information.

Nov. 9 Ramon Magsaysay wins Philippine presidency in two-to-one victory over incumbent Elpidio Quirino; followers sweep House, Senate.

Our New Atomic Policy

THE US government, after trying to pretend for nearly eight years that the problem really didn't exist, is at last beginning to tackle the fearsomely complex task of synchronizing two evolutionary processes moving at markedly different rates: the technology of nuclear war, and the strategic politics of world coalition.

The first cannot be slowed down and the second is very difficult to speed up. If opportunities for exploitation of unfolding atomic capability are fully grasped, the Grand Alliance in the making since the first groping steps toward the Marshall Plan is jeopardized, and with it the whole policy of peace through collective strength. If diplomacy becomes too exclusively preoccupied with the politics of international partnership, then the achievements of laboratory and proving ground are in some degree nullified.

The kernel of the problem is that incredibly rapid developments in nuclear weapons now lead logically to radical revision in the composition and deployment of American military forces. This is not going to happen in 1953, or in 1954, but it may begin to happen by 1955, and the mere anticipation of such a step is already jiggling the world-politics seismograph.

In vastly oversimplified terms, the increasing variety and deliverability of nuclear weapons, and their adaptation to tactical as well as strategic uses, point toward these changes in our military concepts:

1. The pulling in of United States ground forces from overseas positions, and greater reliance on allied ground troops.

2. Reduction in the size of our ground forces to a tough, combat-ready "mobile reserve."

3. Greater emphasis on sea power and, above all, air power.

The first stirrings of these ideas have already registered with magnified impact upon the sensitivities of the statesmen of Europe; their response to authoritative but unofficial information is warning enough of what can be expected when preliminary studies crystallize into policy. Before that can be permitted to happen, in fact, Europe must be persuaded once more that it is not America's purpose to invite the necessity of another liberation of the Western continent; that we do not propose to match European bodies only with our machines and hardware; that we do not plan a long-range duel with the Soviets across devastated lands and slaughtered populations; that we are not, in a word, "withdrawing."

It will become the job of US diplomacy to persuade Europe that our positive purpose is to prevent war, not to win it in Europe; that our policy, if war comes, will be to win it in four weeks, not four years, and by crushing retaliation against the Soviet homeland rather than by a struggle of massed armies on European soil.

That is the main reason why diplomacy must mesh with the exploitation of atomic weapons technology. It is fully recognized even now that too rapid adaptation of our military forms to the nuclear age could doom all hopes of getting a European Defense Community and probably doom the larger NATO military system as well.

On the other side of the world, another reality applies a brake. US ground forces cannot be pulled back from Korea until the all-clear has unmistakably sounded there.

On both sides of the world, before such adaptation can be carried out, we face the necessity of persuading our friends to accept the morality of the atom as an instrument of war. The reliance on nuclear weapons now foreshadowed here would seem to require an abandonment of the professed US desire to establish a workable system of international control of weapons of mass destruction. That being said, the obvious companion necessity exists of asking the American people (and the Europeans, too) to resign themselves to living for the foreseeable future under the threat of atomic attack.

The basic decision to accept the atom as the architect of our defense policy has not yet been made; it must be fought out all the way up through the National Security Council. But the magnitude of the pressures supports informed predictions that the *decision*—not the changes that will flow from it—will be made by spring.

The big pressure is budgetary, apart from the fact that technological evolution has an authority of its own. The military are being told, in effect, that the nation cannot afford both a conventional defense establishment of current dimensions and the full exploitation of atomic capability. "The Western world," says Roger Kyes, Deputy Secretary of Defense, "can no longer afford to prepare for every conceivable kind of war."

On the agenda

Reconnoitering Mao

The mission of Arthur H. Dean to Panmunjom to talk with the Chinese Communists and North Koreans had a wider purpose than just practical arrangements for a Korean political con-

ference. On thoughtful examination, it appears to be a trial flight in diplomatic (as distinct from military) negotiation with the Peiping regime. Dean is a partner in Sullivan & Cromwell, Secretary Dulles' old law firm in New York City.

Dean is the first man in an American business suit to be in direct official contact with the Chinese Communist mind since Mao's regime established effective control of the mainland, barring some shouting matches at the UN. Even within the official agenda, he can conduct wide-ranging explorations of the attitudes across the table. His face to face dealings will, it is hoped, be an immensely valuable change from the methods we have been bound to before—furtive listening-in on a party line to pick up what we could from friendly diplomats in contact with the Reds—which often produced more party line than information. The enterprise may be an important early move by the patient Dulles in mapping out a forward course for China policy.

The Trieste Imbroglio

Here are the basic reasons why Anglo-American diplomacy on Trieste looked like persuasion-by-lead-pipe:

1. Even British sources here acknowledge that Foreign Secretary Anthony Eden went wrong, assuming with inadequate justification that he himself had cleared well in advance with Tito the "solution" announced October 8. Secretary Dulles called this a "misunderstanding."

2. Both the United States and Britain underestimated the extent to which Tito must avoid outraging Yugoslavia's hard-core Communists—like all Communists, suspicious of the West.

3. The patriotism of the Yugoslavs was not given sufficient weight.

Matters were made worse when the Italians crowed, instead of staging *pro forma* demonstrations against the limitations of the "solution" in terms of Italy's claim to all Trieste.

The Italians, with Premier Giuseppe Pella at their head, implied publicly that the announced solution was not a final one – as the Allies actually meant it to be—but a stage on the way to return of the whole area to Italy.

Although this was not true, it infuriated Yugoslav public opinion.

Washington Victory

In the Washington propaganda war which boiled up over the Trieste crisis, Yugoslavia's diplomats won from the Italians almost by default.

Yugoslav Ambassador Vladimir Popovic, a former physician, occupied every available rostrum, and everywhere demonstrated he had not lost his courteous, convincing bedside manner.

He answered questions on a nation-wide radio-TV show with persuasive skill, and followed up this coup with an impressive address to the Overseas Writers Club.

Backing him up was his First Secretary, Dr. Mirko Bruner, who in speeches and statements helped to put Yugoslavia's case before world opinion.

In contrast, Italy's ambassador, Alfredo Tarchiani, did very little to make his country's arguments public.

Flitting nervously in and out of the State Department, his only words to correspondents were "No Comment."

Big Four—If and When

In brief outline, the United States position on highest-level talks with Russia, such as Sir Winston Churchill wants, is that we will be willing to participate if and when we are convinced the ground has been properly prepared.

This means that successful talks among the Big Four foreign ministers must come first.

The United States does not think it is being stuffy about talking to the Russians. Indeed, our people feel the communication framed in the London Big Three meeting puts us almost in the position of pursuing the USSR with intent to negotiate. We do, however, feel that a foreign ministers' meeting must be held to determine whether there is ground for agreement on specific issues rather than generalities.

"In other words," as one of our diplomats phrased it, "we don't want an agreement that we ought to get together for a drink some time. We want to nail it down that we'll have drinks together next Tuesday night at the Mayflower at seven o'clock. That way, if they don't show up, there'll be no question whose fault it is."

The current feeling is that Molotov is in a position to make such clear and firm agreement on details if he is so minded. (The man's stock fluctuates in Western estimates.) Although Germany would be advertised as the priority topic, any minister could talk on anything. When everyone was clear as to what was agreed to, the meeting of chiefs of state could be held with some expectation of accomplishment. But there is no sense, we insist, in wasting the top men's time in sweating out the preliminary details. That is what foreign secretaries are for.

Foreign or Domestic Aid?

Although some Congressional guns are already zeroing in on the staging areas for continuing foreign economic aid (Senator Walter George led off the firing), Foreign Operations Administration officials profess to believe they'll get what they want with no more than normal trouble. Normal trouble is quite a lot, with an appropriation at the other end.

If the FOA spokesmen really mean what they say—something it's awfully hard to be sure of in any agency when appropriation bills are being drawn up—they believe they have greater public backing for their programs than ever before. Swift exploitation of unrest in East Germany by shipments of food packages is believed to have caught the imagination of the American people. On the military side, the transfer of $385 million to the French for a stepped-up effort in Indo-China is also believed to have furnished a useful demonstration of the advantage of keeping a bankroll loaded, cocked, and ready to cross the world in quest of such advantageous targets.

Economic aid programs will be planned on a smaller scale for next year, and some countries will be eliminated altogether. The FOA plans to submit country-by-country projects to Congress. In these plans the US will stress for the first time economic aid as the underpinning for military effort. The broad picture, as it will be painted for Congress, is one of increasing economic self-reliance in

Europe. It will become impolite to suggest that the United States is cuting foreign aid because it is tired of playing angel. The rationalization will be that the beneficiaries can now get along without us. Nor will the rug be jerked out from under them. Nothing so crude. The rug will be "phased out" from under them.

In estimating the chances of the foreign aid bill in the next Congress, it would be wise to recognize the self-interest of the dominant and cosily bipartisan farm bloc in the program's continuation. The FOA has work going forward now for disposal of US farm surpluses overseas in an amount somewhere between $130 and $175 million. Under a farm bloc amendment to the current Mutual Security Act, these surpluses are to be sold (*if* there are buyers) for local currencies, which are then to be spent locally for goods and services having at least a tenuous connection with the purposes of the mutual security program; legitimate items would include materiel, services, strategic commodities, and bases.

Actually, the only excuse for this amendment in the MSA law is the fact that the FOA machinery already exists; it would be more at home in a Rivers and Harbors bill or other pork-barrel legislation. Its existence only adds complex and unnecessary steps to the workings of offshore procurement. But it is a way of getting farm surpluses out of the country.

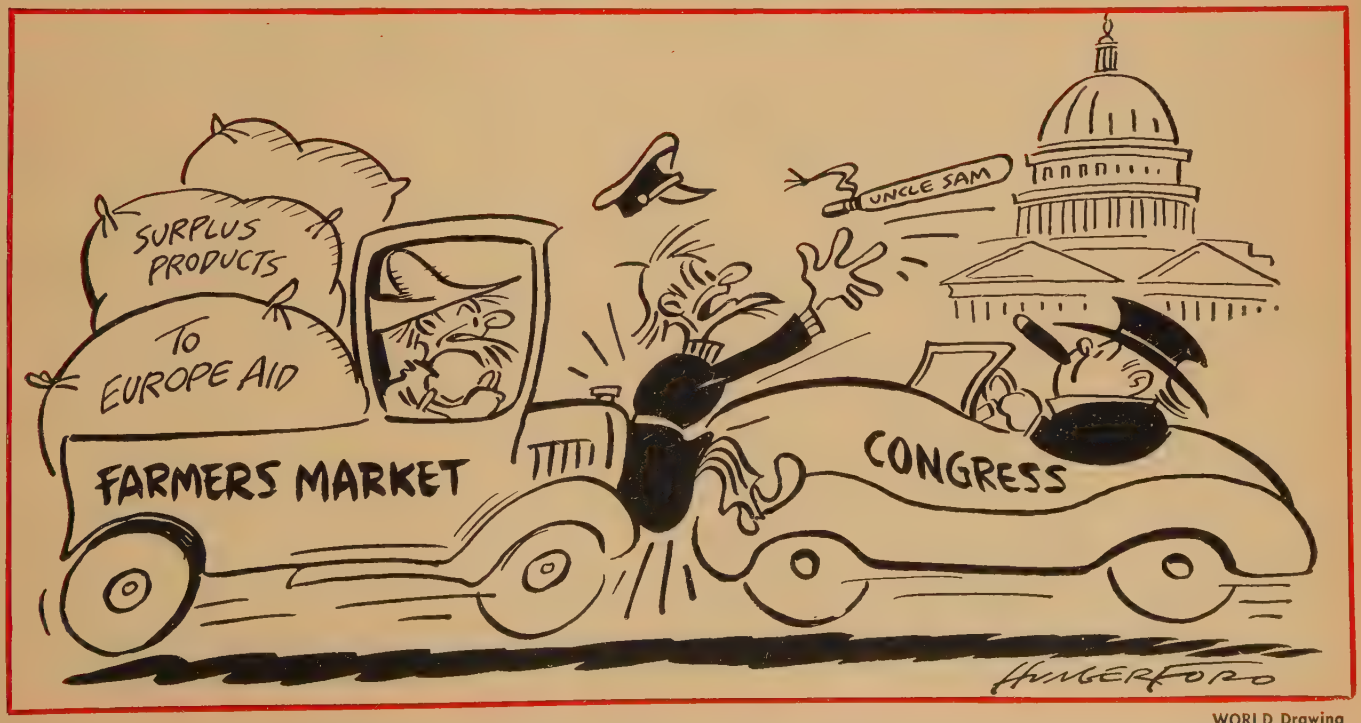
This year's authorization, the first of its kind, calls for selling these commodities for not less than $100 million or more than $250 million. It is widely assumed that this is only a beginning, and that the farm legislators will up the ante next year. It is the sort of thing the Administration cannot prudently resist if it wants to get the aid program through Congress.

Embassies of friendly nations exporting manufactured goods were deeply disturbed by President Eisenhower's New Orleans speech on foreign trade. His rundown of vital imports included only raw materials: tungsten, nickel, chromite, tin, columbite, cobalt, manganese and hemp. Randall Commission or no Randall Commission, those who want to sell manufacturers here wonder if the President thinks of foreign trade solely as a process for bringing strategic materials in. They have combed his speeches, during the campaign and since his election, for indications of a broader view, and have found none. The whole meaning of his speech at the great port was that foreign trade exists to provide the raw materials we need, and foreign markets for anything—raw or manufactured—we want to sell. The question was asked quite frankly here (though privately): Is this some latter-day colonialism?

Civilian Recruits

An indestructible rumor here is that General Walter Bedell Smith, Under Secretary of State, will resign by the end of the year for unassailable reasons. No dissatisfactions are involved. The President and the Secretary of State want him to stay. He wishes he could. But although he has been sticking to his job, he is not well, and he has a choice of high-salaried private positions very attractive at his age (fifty-eight) and in his state of health.

Even devoted charter members of the I Like Ike Society couldn't help laughing at a quip minted immediately after his recent press conference discourse on the Presidency and party politics: "The trouble with Ike is not that he's a professional soldier, but that he's an amateur civilian."



WORLD Drawing

Why We Flirt With Pakistan

DURING a lunchtime break at the United Nations not long ago, an Indian delegate was doing some worrying out loud about a new phenomenon of political life: the romance between Pakistan and the United States.

"Never seen anything like it," he said, and there was more astonishment than bitterness in his voice. "Pakistan gets a better press in this country than does any other member of the United Nations. Seems to me that every time I pick up a paper there's a story about how wonderful Pakistan is."

The Indian may have been exaggerating a bit, but he wasn't making it up out of whole cloth. Other delegates a good deal more unbiased than the Indians have noticed that the US and Pakistan are doing a lot of handholding and wonder why.

It certainly is not because Pakistan and the United States see eye to eye politically. On colonialism, for example, the Pakistanis are always on the other side of the voting fence. The Pakistanis sent no troops to Korea. The Pakistanis went along with most of the rest of the Asian-African bloc in maintaining a demure silence during the debate on germ warfare.

Part of the answer can be found in the personalities and the approach of Pakistan's representatives in the US, and in her policy-makers at home. They realize that Indian prestige is at a low ebb in this country. And while the Indians are sulking about it, the Pakistanis are out not only making hay but stacking it high in publicity bales.

Just about every Pakistani sent to this country seems to have a built-in sense of public relations. Everywhere they go—and Pakistanis are doing a lot of traveling in America—they spread the word that a big new Moslem state is in the building, that it intends to be forward-looking, anti-Communist and democratic, that it believes its future lies with the West, that it is important strategically and politically, and that its leaders have a feeling for and understanding of the United States.

Pakistani diplomats here have not only political but human awareness. Up in Cortland, N. Y., for instance, the town, with lively encouragement from Pakistani officials, put on a "Pakistan Day" celebration complete with parade, speeches and dinners.

The Pakistani Ambassador, Amjad Ali, set out to tour the town. He was wearing his gray Jinnah cap, which looks like a GI overseas hat. Somehow he sensed that the townspeople were disappointed. Back to his room he went and a few minutes later emerged glorious in a huge gold and white turban. He stole the show.

Turbans, and speeches to Chambers of Commerce, are part of the Pakistan fad but they do not explain it. The public's interest is spurred not only by the extremely able Pakistani diplomatic representatives but, unofficially, by the US State Department and information service officials who are spurred by concrete political and military motivations:

1. Strategically, Pakistan is important to the United States. Pakistan controls the Khyber Pass, traditionally the invasion route from Central Asia, now thoroughly mined and guarded.

The hope of building a strong Middle East defense command allied with NATO has practically vanished, a fact that makes the United States think more and more about the military importance of Turkey and Pakistan.

2. The United States and Pakistan have been gingerly, almost coyly, approaching the subject of military bases in the Moslem country. Important men in Karachi and Washington would like to see a military alliance between the two countries, but there are difficulties.

On the US side there is the fear that openly building up Pakistani military power would permanently estrange India. On the Pakistani side there is the fear that a military alliance might cause so much trouble at home that the government would fall. But a military pact is a logical development, a question of time.

3. Dissatisfaction with Indian policy has made the United States look more and more toward Pakistan as its friend on the subcontinent.

4. United States leaders are aware that the Palestine problem has created great Arab resentment toward this country. Friendship toward Pakistan, the largest Moslem country, is one way of showing that we have not forgotten the Moslem world. The Pakistanis themselves, although they work closely with the Arabs at the UN, are not fanatic about Israel and are a moderating, pro-Western influence in Moslem councils.

All that is why, as one delegate said when he read the story about the celebration in Cortland:

"Looks like Pakistan Day all over the place."

Atom Out of Control

No delegate at the United Nations has come out and said so, and the chances are none will. But the one big fact in all the talk about disarmament and atomic energy control is that it is completely obsolete.

The truth is that nobody at the United Nations—or in the whole world—knows whether control of atomic energy is a scientific possibility or a political pipe dream.

That big truth has been pushed into the shadows by the millions of propaganda words that have been spoken about international control.

But as the years go by without agreement on control, the talk becomes more and more meaningless. And this is why:

Back in 1947, a committee of scientists held a long series of closed meetings under the auspices of the United Nations. They finally came up with a report which concluded that the international control of atomic energy was scientifically feasible.

In other words, the scientists were

WORLD Drawing

"For a thousand and one nights the Pakistani sang sweetly to the Great Mogul, but the Indian sucked sour fruits . . ."

saying that an international inspection system could be worked out which would be able to map all atomic facilities, set up a careful system of checking the use of minerals and chemicals, watch the output of atomic plants, detect violations of agreed-on production quotas, and generally make sure that no country was producing atomic weapons.

That was in 1947. The scientists based their conclusions on what they knew about atomic production methods at the time—and they admitted that they knew precious little. But even granting, as many experts are not willing to grant, that atomic control was feasible in 1947, does that necessarily mean that it is feasible in 1953?

The answer is a hard "no." Since 1947, both the United States and the Soviet Union have developed entirely different production methods from those in use in the infancy of the atomic age. It is impossible, today, to find a scientist who would be willing to state that any system of international inspection could spot violations of an atomic production code, could determine precisely at what

point atomic energy production was obviously designed for the purposes of war, not peace.

Conceding that such a system could, by some miracle of scientific detective work, be established, a huge question remains: existing stockpiles.

For international atomic agreement is predicated not only on the control of production but on the destruction of atomic weapon stockpiles. Otherwise, the country with the largest pile when controls went into effect would be forever master of the world.

Not a single responsible official in the Western world would deny that the Communists could hide an atomic weapon stockpile somewhere in their vast empire. And the men in the Kremlin no doubt would be amused at the idea that they should put their faith in the ability of the international inspection machinery to uncover a Western supply of bombs.

Meanwhile, the talk, talk, talk about disarmament will continue. Politically, no country can afford to say that it considers the debate on control and disarmament scientific nonsense.

Collective Insecurity

One great lesson of the Korean War is that, as things now stand, it has proved that the United Nations' collective security machinery can be a danger for the countries willing to contribute blood and treasure in the fight against aggression. And the greatest irony of the war is that the fumbling beginnings toward a collective security system may have been wrecked by the very victim of the aggression.

The Korean War shows that the victim—the country that is the beneficiary of the UN aid—can be in a position to decide whether or not there is to be a peace despite what the majority of the organization wants. And that is considerably more than most of the countries which backed the United Nations' commitment in Korea had bargained for.

Ignore the question of right and wrong—the question whether President Syngman Rhee was justified in trying to prevent a cease-fire, an armistice, a peace conference. From Korea's point of view, Rhee may have had no other choice.

What's bothering delegates at the United Nations is the fact that the assumption was that when the UN went into a war collectively, it would have the right to a collective decision on the terms and time of ending it. Certainly no country that voted for the Korean commitment or sent troops to Korea's defense believed that the victim state would turn out to be a major political headache.

The problem of the rights and powers of the victim state was dramatized by the truce negotiations in Korea, but it is not a brand-new problem. It cropped up in the secret meetings of the United Nations Collective Measures Committee a couple of years ago. Naturally enough, the country most interested in protecting the rights of the victim state to guide its own destiny was one of the Communist world's potential targets—Yugoslavia.

The major powers in the committee realized that they were facing a vital issue. They would have to contribute the major share of the defense against aggression. And although the delegates didn't say it in so many words, the general feeling was that a victim country, when it called for UN aid, had an obligation to abide by the judgments of the majority.

The meetings of the committee never came to much. The skeleton of the UN collective security set-up did not take on any meat. There were just two basic principles: every country had an obligation to aid the victim of aggression at the call of the UN (an obligation many UN countries conveniently forgot during the Korean War); the country that supplied the bulk of the strength should be empowered to act in the name of the UN as the unified command.

The fear of many thoughtful diplomats at the United Nations is that the Rhee precedent, coupled with the realization that in time of war even a country as strong as the US could not control a victim state, may benefit the Communists in any future adventure.

As a theoretical problem, the whole thing may seem a bit on the abstract side. Looked at in terms of specific possibilities, however, it takes on sharpness. For instance:

If the Communists expanded the war in Indo-China and France called for UN aid, would the French be willing, in advance, to hand over the power of negotiation to the world organization? And if the answer was "no," how many countries would be willing to commit their troops to a UN action that the UN could not control politically?

All the fuss about calling off Israel's Jordan River project during the Security Council debate on the controversy suggested to some lounge wits a fresh approach to the problem of war and peace. A new protocol would be drawn up: in case of war, fighting would be called off during Council speeches, resumed during translations.

Charles Malik leads Arab attack . . .

. . . on the Israel of Abba Eban

Kremlin Forecast: Hot and Cold, and Cloudy

Signs of division inside the Kremlin multiply. The only issues on which there is agreement in the ruling circle are: to remain on top; to hold the empire; to raise living standards for the upper crust. But in regard to ways and means there is considerable evidence that the ruling five do not see eye to eye.

Soviet notes on Germany have varied from week to week. Blasts against German rearmament have been followed by eulogies of the "renaissance of Germany as a Great Power worthy to take its place in the world." One week the Kremlin wanted to give a German peace conference first place on the international agenda; three weeks later it implied that a German peace conference might have to wait until a worldwide agreement had been reached. France and Britain are alternately wooed and attacked. In Korea, too, the Soviets are pulling in two directions. After helping to bring about the truce, they now delay the peace conference.

The Party itself does not seem to know what it wants. In the September-October *Kommunist,* the CP's leading bi-monthly, the most venomous charges of warmongering were hurled against US "ruling circles." Yet for the first time in decades these charges were not repeated on the slogans displayed at this year's big November parade.

On the domestic front there are similar contradictions. Deputy Premier and trade czar Mikoyan not so long ago contrasted the steeply increased production of champagne with the fact that production of vodka for the man in the street was below prewar. Now Mr. Mikoyan has changed his tune: there will be so much champagne, he says, that it will become normally accessible to workers.

Novyi Mir (New World), a widely read monthly, for the first time aired attacks against the basic theories of master biologist Trofim Lysenko. The Stalin of natural science, he scuttled the Mendelian laws of heredity in favor of the inheritance of acquired chaarcteristics, claiming therewith a rediscovery in nature of the Marxist laws of class struggle. Under the old regime, criticism of the principle of Lysenko's teachings was impossible. Now Lysenko, the theoretician, who did more than anyone else to broaden the gap between natural scientists of West and East, is accused of a "beating of wings in a vacuum"—while Lysenko, the practical plant biologist, is still expected to help Soviet agriculture "leap" in one year from scarcity into plenty through new methods of cultivation.

The agricultural program, too, is lopsided. On the one hand, the peasants in the collective farms are encouraged to devote more time to their one-acre private homesteads; on the other hand, they are to work more and harder for the collective farms. Peasants and collective farms are told to display initiative; but control from above of Communists in the countryside has been tightened by transference of authority to ministerial or provincial appointees.

These contradictions extend to the satellites. Peasants there are told to enrich themselves, yet the Soviet *kolkhoz* remains the ideal and model. Production of consumer goods is pushed, but heavy industry still is favored. In Czechoslovakia and Hungary experienced economic technicians in the inner cabinet now outweigh the political strategists of the Stalin period. In Poland, Rumania, Bulgaria and Albania, however, the old political bosses remain in control. In East Germany new political-machine men have come up.

Behind this shifting façade Messrs. Malenkov, Khrushchev, Molotov, Bulganin and Kaganovich are trying to function as a collective. Other candidates for power are waiting in the wings. To keep them within bounds the five leaders are strengthening the Party machine. True to Stalin's last directives, the Party is becoming more and more a state above the state. Up until a few months ago the Soviet administration, not the Party, was being emphasized. This supremacy of the state administration, of course, would have made it easier for the army to assert itself. Now the army, like every other organ of the Soviet structure, must recognize the party as the brain and nerve center of the body politic.

But the reorganization has not been completed. The nerve center is disturbed. The giant's gait lacks coordination. The five men in the Kremlin cannot but worry. They may be efficient, but they are not impressive. None of them has Stalin's stature. Short of a patriotic war, they will not be able to galvanize their people into accepting further hardships. The upper crust at least has to be fed, clothed, and housed comfortably.

This is not an easy task. Reports from the countryside are alarming. Byelorussia, the USSR's largest potato producer, had delivered little more than one-third of its quota up to October 10. On October 13, *Trud* reported from Minsk that the people were standing in line for potatoes. Despite millions of acres of new land under cultivation, new fleets of tractors and harvester combines of the largest type, more and allegedly better fertilizer, the grain crop has remained virtually stationary for three years.

In view of reports from major provinces which in October, when the frost begins to fall, were far behind on deliveries, this year's grain harvest may be below last year's, whatever Mr. Malenkov's rearranged statistics announce. The overall crop report has been strangely late this year. Cattle raising and dairy farming are in a pitiful condition.

The men in the Kremlin know that an improvement has to come soon. Otherwise Messrs. Malenkov, Khrushchev & Co. may be in trouble.

As long as this pressure lasts the Kremlin cannot have a strong and consistent foreign policy. Like the octopus when attacked, the five leaders seek to hide behind a dark cloud of contradictory policy statements; their division offers little prospect of either an all-round understanding or a definitive break.

—Paul Wohl

Editorial

Can We Halt History?

WHAT is new and rather frightening to people all over the world today is that they no longer seem to have a national history. In Iran, in China, in Italy, in Russia, people have become aware that their future does not belong to them, but is directly dependent on contemporary American history; conversely Americans are beginning to realize that their history is fatefully influenced by decisions at such faraway places as Peiping, Moscow and Delhi.

This state of affairs is perhaps more painful to us Americans than to anyone else, and for a significant reason.

There are moments in the lives of great nations when they believe that their destiny has reached fulfillment. Past struggle and strife suddenly make sense, for they led to today's achievements; and the only demand on the future is that it shall not be too different from the present. It is as if the forces of history had been working for the sole purpose of creating the current happy conditions and could now be expected to subside, since their labors had satisfied all possible wishes.

Augustan Rome, the France of Louis XIV, Victorian England, among others, have all known these marvelous periods of serenity and confidence. For a short time after the last war, it looked as if finally America's turn had come.

Daily, a million comparisons reminded us of our good fortune. We were told that the average American earns three times as much as his Western European brother and from ten to fifty times as much as his Asian cousin. Astounding statistics concerning production, distribution, pay checks, profits, betokened the unprecedented success of our economic and political life.

The privilege of living in ease and dignity has never before been granted with such lavishness to the great majority of a great nation. No wonder we began to think that history had gone out of its way to help us climb to hitherto unattainable heights. When life had become a source of satisfaction to multitudes, when time had come to fruition, wasn't it natural for us to want history to halt in its tracks and preserve our blessings like a fly in amber?

History's flat refusal to cooperate in this innocent wish deeply alarms the American mind. In earlier days, when national states existed in comparative isolation, when most full-fledged wars were no bigger than the skirmishes of today, nations could for long periods enjoy the fruits of their greatness almost undisturbed. But at the very moment when *we* were ripe for our own golden age, our destiny got inextricably mixed up with what we were prone to label unwanted, alien interests. Incalculable outside forces—the land hunger of the Indian peasant, the efforts to industrialize China, the natural resources of Indonesia, the present and future of so many other peoples—suddenly became a national concern. The hopes and plans of strangers have come to influence our own hopes and plans as directly as if these foreigners were citizens of Iowa.

THE result is a trauma of dramatic depth. We thought we had achieved our destiny by our own efforts and according to our own lights. We thought history had done its duty and that we could slowly pension it off by scrupulously hoarding its generous patrimony. Then, unexpectedly, around 1947, we woke up to face the frightening fact that we cannot get rid of history, that it is unwilling to stop. Slowly we had to realize that, in some manner, our national history is inseparable from the history of China, England, Japan, Germany, France, Russia.

For many of our fellow citizens, the message of the new era is still incomprehensible. For what it means is this: that whatever we do in the future we shall hardly be able to go on living simply as Americans, exclusively devoted to the social, economic and political tasks of our own land. We shall have to live as a people whose every activity—and whose life or death—depends not only on our own wishes and decisions but on the desires, needs, fears, opportunities of two billion Asians, Europeans, Latin Americans and Africans.

That a great many Americans are frightened and upset by this prospect is understandable. For generations people have thronged to this free soil to forget the misery and injustice of other continents. And they revolt against being once more entrapped by the world they had rejected.

Here in a nutshell is the trauma, as well as the great challenge to the adaptability and genius of the American mind. Our future depends on the sobriety and intelligence with which we react to a historic drama that so many of us do not relish and whose true meaning we have barely begun to comprehend.

Thorkolves

EDITOR

A Ten-Year Industrial Boom Threatens to Lose Its Momentum

IS YOUR DOLLAR SAFE IN CANADA?

By ROBERT K. TAYLOR

Chief, Parliamentary Bureau, Toronto Daily Star

OTTAWA

CANADA'S economic boom was five spectacular years old before Americans woke up. Then they rushed in with new capital to cash in on the profits the new wonderland offered.

Today they are just as slow in seeing the clear danger signals that warn of trouble ahead for their neighbors to the north.

Briefly, these signals indicate a basic flaw in Canada's economy: her productive power now seriously overshadows her markets both at home and abroad.

Americans should be alert to these warnings, for their stake in Canada is overwhelming. Between 1946 and 1952, they made direct investments in the country amounting to $1 billion and bought Canadian securities valued at $1.5 billion. All told, their direct, long-term investments amount to over $5 billion. More than 2,000 companies in Canada are US-owned, and last year Americans received $344 million in dividends from Canadian investments.

That Americans—and others around the world—should still be dazzled by Canada is understandable. Canadians have been industrializing faster than any other country in history. Industrial production—in real terms—is 250 per cent greater than before the war, and real national income has more than doubled in the same period.

Despite her small population Canada has become the sixth greatest industrial nation; for the past seven years she has devoted at least one-fifth of her national output to building for the future.

This year, moreover, tops all the rest. The gross national product is running at an annual rate of some $1 billion ahead of last year's all-time record of $23 billion. Retail sales are 6 per cent above last year's record rate, and capital expenditures are 9 per cent above last year's.

With this exhibition of robust economic health before them, Americans took little account of the mid-year warning raised by Canada's Minister of Trade and Commerce: "Canada," said the Rt. Hon. C. D. Howe, "should be prepared for setbacks."

The condition of Canada's foreign markets is causing Ottawa the greatest uneasiness. It is an accepted maxim of the government's economic thinking that the country's prosperity rests on her ability to export: she sells—or tries to sell—almost a quarter of her national output. Last year Canada exported goods worth $4,729 million in US dollars, while the United States, with more than ten times her population, exported goods worth only $15,164 million.

Canada's foreign markets, however, are shrinking. Exports in the first four months of this year were down a full 25 per cent from the same period last year. The bulk of the declines was in such basic items as wood pulp, newsprint, zinc, tobacco and copper. A carry-over of 500,000 cases of salmon depressed this important export industry in British Columbia. Lumber sales to Britain were down 20 per cent from last year. The textile industry, often an indicator of economic trends, was in such straits that a three-day week was not unusual for many of its 100,000 workers, and spokesmen talk of many firms going out of business.

IS YOUR DOLLAR SAFE IN CANADA? *continued*

Wheat income is one of the foundations of Canadian industry and business. And the sad plight of Canadian exports is high-lighted by the tragic wheat situation.

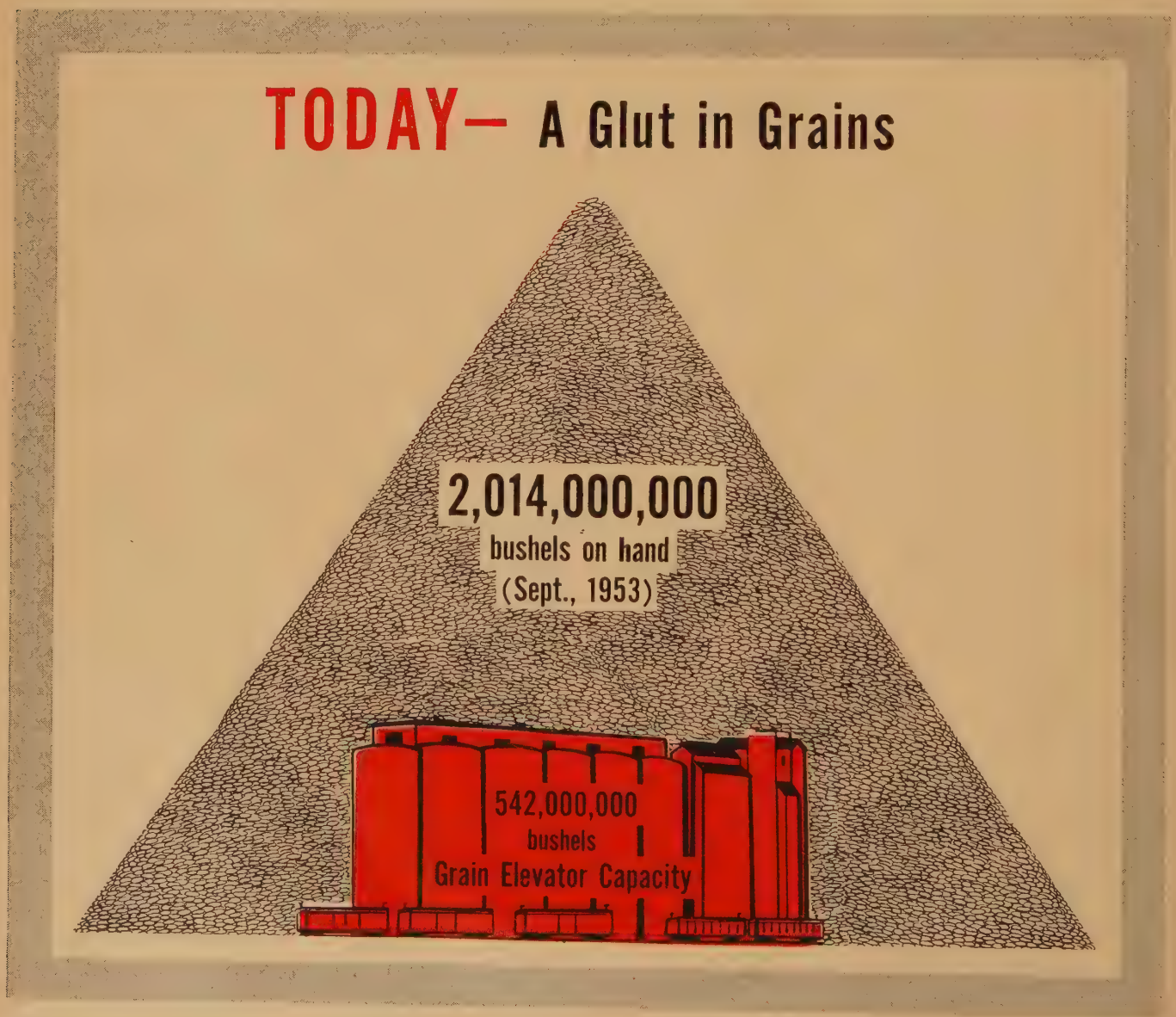
Canada is suffering from the effects of three bumper crops in a row. Each topped the 500-million-bushel mark. With the fall harvest, Canada had about 966.5 million bushels of wheat on hand—more than 50 per cent above the 10-year average despite 1952's near-record export of 336 million bushels. As one expert wryly observed, "Wheat is pouring out of our ears."

Canadians surely will not be able to pour it abroad on the necessary scale. At home, they can consume a meager 160 million bushels, and last year's export sales will be hard to equal. The past crop year saw the end of the four-year International Wheat Agreement, which Britain refused to renew; her own supply of wheat is so great she is storing it in vacant theaters. European countries, usually good Canadian customers, have also, for the most part, had good crops—in some cases they have become exporters.

Foreign wheat competition, in fact, has become a real problem for Canada. "There is a danger that we may be priced out of the wheat markets of the world," the president of the Winnipeg Grain Exchange has warned. "The grain tie-up has become of national instead of just prairie importance."

Even should Canada meet this competition successfully, prices may be forced dangerously low. "A battle royal is going on behind the scenes," revealed one Canadian expert, "between importer Britain and the big wheat exporters Canada, the US and Australia over what will be the world price of wheat."

As a result of this situation, wheat storage elevators are so overloaded that farmers this year have been able to market initially only three bushels for each acre in crop. At Yorkton, Saskatchewan, Board of Trade members said that wasn't enough to pay for the fertilizers. They added: "Wheat may start a major depression in the West." Commented the Montreal *Gazette*: "It is building up to one of the greatest crises in many a year."



The fate of Canadian wheat could overtake many other segments of the country's economy. The gold industry that sustained Canada through the 1930s is squeezed between rising production costs and the fixed price of gold. Her 1952 gold output of $150 million was down $54 million from its 1941 peak. Only a federal government subsidy of about $12 million is keeping most of her 60 producing mines operating. Labor troubles closed many this fall.

Similarly, automobile exports are not rolling along at the requisite clip. Although Canada is the world's largest importer of cars and car parts, she is also the world's third largest exporter. But her automobile export markets, which usually take about half her output, are deteriorating. Former customers, such as Australia, are developing their own automobile industries and restricting their purchases in dollar countries.

The Protectionist Threat

If Canada's export picture is black today, tomorrow's picture looks even worse. Canadians fear that American protectionists will get their way next summer—a triumph that would bring our major North American ally to her knees.

Last year Canada sold goods to the US valued at $2,350 million—more than half of her total exports. In 1950, 65 per cent of her exports went to the US. That is why the phrase "US protectionism" raises the hair on Canadian heads. They remember the disaster that struck them the last time US high tariff advocates had their way: after the 1921 emergency tariff Canadian exports to the US dropped a staggering 46 per cent.

A repetition of the 1921 disaster is no idle threat. US Tariff Board inquiries are pending or under way into the $61 million worth of Canadian oats sold in the United States last year, into Canadian exports of ground-fish fillets, and into the demand by the US National Lead and Zinc Committee for the imposition of quotas and a sliding scale of tariffs against the $52 million worth of zinc and $36 million worth of lead Canada sold to the United States. Canadian and other countries' cheese exports to the US have already been restricted.

These uncomfortable facts, plus the knowledge that strong forces in the US Congress would like to scuttle the whole policy of reciprocal tariff concessions, caused Prime Minister Louis St. Laurent to issue a sober warning to Americans on both sides of the border this summer:

"We as an exporting nation do not relish being regarded as a marginal supplier to be cut off whenever the going is tough for those with whom we happen to be competing.

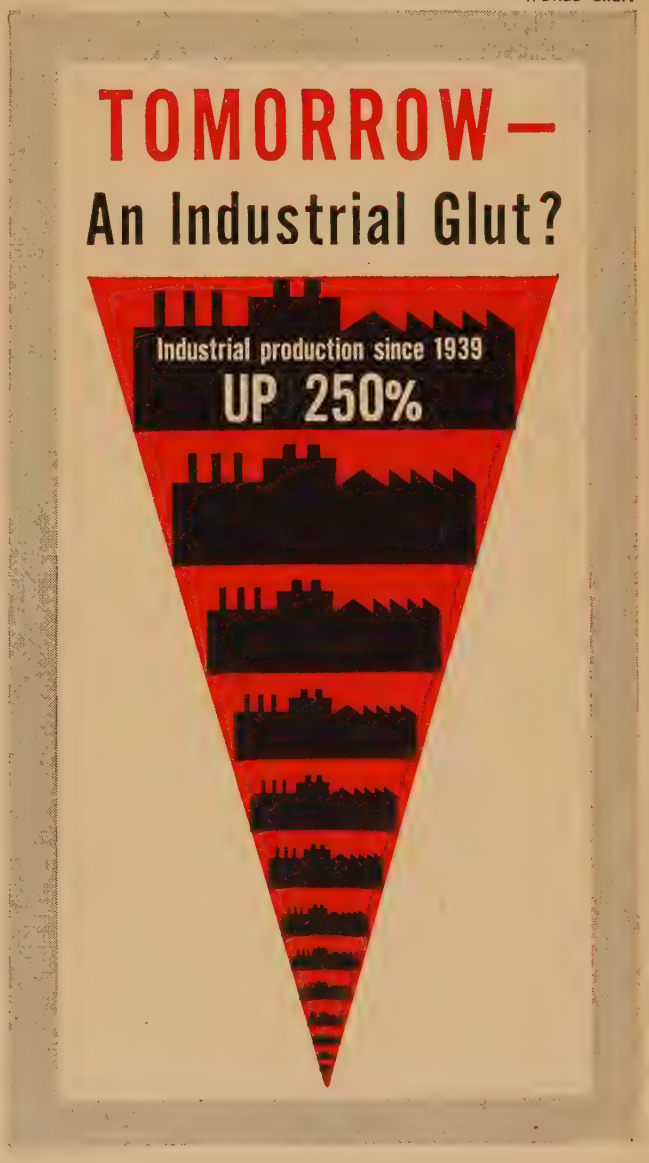
"We want to be as sure as we can of continued access to the markets we have established over many years. We don't want to build an industry up to supply a particular need and then suddenly have the market cut off without warning. And we don't want to see the kind of ill-will develop which that kind of action inevitably creates.

"If we Canadians are unable to keep our trade at a high enough level, our standard of living suffers; there is bound to be unemployment and, if it goes far enough, a depression with all its evil consequences, social and political."

Another unpleasant aspect of US protectionism for Canada would be its effect on her other overseas customers. If they were hit by new US restrictions, they could earn fewer dollars with which to buy Canadian goods.

By the same token, if US foreign aid (to countries other than Canada, which has never received any) is reduced—and there is every indication that it will be—Canada's foreign markets will be further weakened by lack of dollars. Edward S. Mason, Dean of Harvard's Graduate School of Public Administration, recently observed that "diminution of foreign aid programs could have a significant effect not only on Canadian and US exports but on the further development of relatively independent trading blocs. Canada faces

WORLD Chart



the threat of further discrimination against dollar exports, exchange controls and inconvertibility of currencies. . . . The world may face a considerable heightening of tariff barriers that might be described as temporary, but, as the French say, 'Nothing lasts like the temporary'."

Faced with trouble in the export field, Canadians are dismayed to find their home market equally uncertain. The domestic economy is geared to a program of rapid expansion, and in a number of industries—steel and automobiles, for instance—expansion has virtually ended.

Canadians have been buying cars at a tremendous rate and reducing the spread between their 20 per 100 population and the US ratio of 33 per 100. In July alone they spent $106,578,000 for 42,789 cars. But more than half of new car purchases was financed by pledging future earnings, the highest percentage on record in Canada, and experts fear that the use of credit to maintain a high level of automobile sales is nearing its end.

Canada Asks for Trouble

The same is true of personal consumption in general. Never before has the financing of current consumption in Canada relied so heavily on credit. In the second quarter of this year installment sales hit an all-time peak of $395.6 million—some 7.4 per cent over the previous high for a quarter.

Credit sales comprise nearly one-third of total sales, and they have tied up a sizable share of the future income of many families. This burden will be manageable only if incomes keep rising, and few in Canada expect that 1954 will be as good as 1953.

Consumer credit is already increasing faster than income. Canadians have more than tripled their mortgage debt since 1945. Residential construction totals more than $1 billion for the last three years. This year it will reach about $1,225 million. Canadians are building some 90,000 housing units a year—half of them financed by federal government loans. Another $3 billion a year is being spent on other new construction, repairs and maintenance, and much of this represents mortgaging future earnings. Consumer credit, said a prominent Canadian banker recently, is expanding so rapidly that the country "is just asking for trouble."

Even with this rising consumer debt, there is growing evidence that Canada has reached the saturation point in many key items such as electrical appliances. The annual report of the Canadian Chamber of Commerce in September pointed out that "there are more soft spots than have usually been encountered during such periods of general prosperity in the past," and a Vancouver businessman told the Chamber that "there are danger signals ahead. Many retail concerns will succumb within the next twelve months."

The collapse of the Canadian boom as a result of these internal and external developments was foreshadowed recently by the top economist of the Bank of Nova Scotia: "Canadians," he said, "have been trying to do too much too fast and thereby are causing strains which are gradually weakening the structure of the boom." The Canadian Bank of Commerce put it more bluntly: "The Canadian economy is hanging in uncertain balance."

Since a thriving export trade is the key to continued stability, Canada has taken the lead in the fight for greater world trade. To help create a more effective multilateral trade and payments system—covering the widest possible area—she has contributed $75 million in aid to the Colombo Plan of developing the countries of Southeast Asia. She has extended credit amounting to $2.5 billion US to her overseas customers in the postwar years. She has worked out a federal government system of insuring against export losses.

Most important, Canada has exhibited a rare degree of intelligence in attempting to stimulate imports as a necessary condition of her export drive. She is the only country in the world that has a government bureau charged solely with the task of stimulating imports.

To ease its task, she has cut her tariffs far lower than US tariffs, and has encouraged others to do the same. Her Finance Minister, Douglas Abbott, has made plain the government's refusal to grant higher protection to domestic industries suffering from foreign competition and a reduced home market. Last month he told the World Trade Conference at Richmond, Virginia, that he felt Canadian industries were asking for further tariff protection either as "a substitute for real competitive effort" or because resources and manpower were being "employed in a wrong industry."

Welcome Mat for Imports

This policy is bound to have some effect. When Minister of Trade and Commerce Howe took a party of Canadian businessmen on a trade promotion tour of Latin America last spring, he told Latin Americans that Canada wanted not only to sell but to buy abroad. His point was driven home by the fact that Canada is one of the few countries in the world which has no quantitative restrictions on imports and no import or exchange controls.

If these policies bear fruit, American investors—who expected to make a quick profit in Canada—will instead find long-range benefits as the Canadian economy takes its place in a more rational world economic system.

But Canada's efforts to expand unrestricted multilateral trade will end in miserable failure unless the US joins her in making a flow of dollars available to international commerce.

The United States has good reason for doing so, if only because Canada is its biggest export market. She bought $2,976 million worth of US goods last year —nearly one-fifth of total US exports. One hundred and sixty million Americans would suffer should Canada's boom turn into a bust.

Until we eliminate the contradictions of our policy, there is...

NO FUTURE FOR WORLD TRADE

By ELLIOTT HAYNES and MARK STROOCK

At the end of World War II, our democratic allies expected the United States to lead the way toward fulfillment of one of our brightest promises—a sound and integrated world economy. Today, they feel we have reneged on this ideal. When we protest that we are still aiming at the same star, the foreign reaction is politely incredulous.

The explanation for the swift decline in US moral prestige lies in the postwar history of our foreign economic policy. Despite such brilliant episodes as the European Recovery Program and Point Four, its dominant characteristic has been one of brazen contradiction.

Take the case of Henry Ford, II. Soon after the Detroit Board of Commerce won international fame by its strong declaration for free trade, Ford—a board member—declared in a speech at Chicago that the US should abolish its tariff and that "we ought to get rid of the 10 per cent tariff on automobiles at once."

A Republican Representative from California, A. O. Hunter, took him at his word and drew up a bill abolishing the auto duty. Hearings on the bill in the House Ways and Means Committee were never held: neither Ford nor his competitors evinced the slightest desire to testify in its favor. Understandably annoyed, Representative Hunter spurred the Detroit Board of Commerce to find out why its members in the automotive industry had let him down. Ford replied that his position remained unchanged—that "the tariff on automobiles . . . should be eliminated as part of a broad and comprehensive attack on trade barriers."

The Westinghouse Electric Corporation offers another example of inconsistency. It hates imports. Vice-president John K. Hodnette told Westinghouse workers this summer that the threat of low-cost foreign competition was casting a shadow over future plant production, and perhaps their jobs as well.

Hodnette was also disturbed about US government contracts let abroad, and claimed that Westinghouse had lost "more than $7 million worth of business and about a million man-hours of work on government contracts given to foreign countries."

His concern is justified. Because the company would not allow people abroad to earn dollars through imports, it must rely on the US government to purchase its goods for export. To date it has done rather well: Westinghouse president William E. Knox boasted last October that his company had supplied electrical generating equipment valued at more than $10 million in connection with the Mutual Security Administration's thermal power expansion program for Italy.

The position of the farming community is equally

SIX MISTAKES THAT MAR US TRADE POLICY

►**Malpractice** in adopting legislation designed to subsidize exports, which makes it difficult for other nations to compete for dollar sales.

►**Socialism** in the form of domestic subsidies that bar other nations from entering the American market in the fields that are subsidized.

►**Unbusinesslike** mentality of those who cling to domestic markets they can enjoy only under the protection of import duties and embargoes.

►**Fear** of Communist advance abroad, which holds up private capital investment and thereby paves the way for Red exploitation of poverty.

►**Distortion** of the damage done the economy by foreign aid expenditures in making a balanced budget and orthodox financing impossible.

►**Inconsistency** in labeling government economic aid to other nations as damning to free enterprise while subsidizing producers in the US.

perverse. Farmers, of course, have fled from the market place to the shelter of assured sales at guaranteed prices via the government's Commodity Credit Corporation. Such a subsidy program is the antithesis of free trade; the government by law cannot allow foreign crops to invade the American market and force the CCC to absorb an even greater amount of US production than it already does.

Recognizing this, and aware that US imports are a logical necessity if our exports are to flourish, the National Grange makes hazy reference to the need for "complementary" imports—that is, imports of anything but farm produce.

Notwithstanding their stand against agricultural imports, US farmers feel it is their privilege to export, and in this respect have discovered a flaw in the present set-up. A thing they dearly love—the high price level maintained for them by the government—has had the effect of pricing them out of foreign markets.

NEVER at a loss when in need of a new protective idea, farmers have worked out a plan to remedy this awkward situation. It is called the two-price system, under which the government would support only the prices of domestically consumed commodities and permit the exportable portion to seek markets abroad at cut rates. In effect, the government is now called upon to subsidize domestic consumption, subsidize exports, and fend off foreign competition for the farmer, all at the same time.

Segments of US labor display the same myopic vision. An outstanding example is that greatest present-day American capitalist, John L. Lewis. With coal a glut on the home front, Lewis urges coal exports as the answer to a maiden's prayer. But while he sees US coal as divinely inspired competition for coal and oil producers abroad, Lewis waxes wroth in his stand against foreign oil imports. His attitude, like that of other labor leaders in "labor intensive" industries, is one of complete contradiction.

With the US business, agricultural and labor communities—or at least a sizable proportion of them—still worshiping at the altar of protectionism, it is not surprising that the government's foreign economic policy also bristles with contradictions. Its primary goal —expansion of world trade—requires that other countries earn many more dollars than they ever did in the past. Yet at every turn government policy makes this difficult.

The US tariff and quota system is as starkly antagonistic to imports as the subsidies already mentioned. In addition, Washington seems to have stood on its head concocting schemes that vitiate avowed US foreign economic policy.

There is, for instance, the clause in the foreign aid law requiring that at least 50 per cent of cargoes financed by the program be shipped in US bottoms. We spend billions helping Europe recover her power to earn dollars and in the very same program curtail her ability to do so.

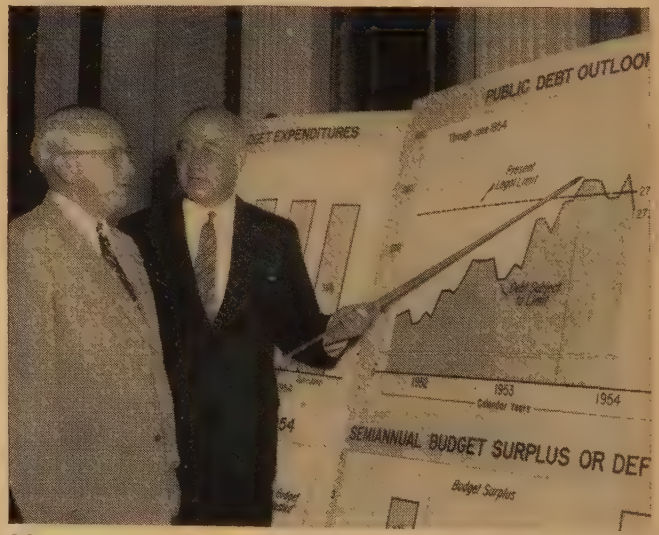
The Buy American Act is another example of Washington's obstinate effort to torpedo its own overall objections. Passed in 1933 in a period of widespread unemployment, it requires—with several vague and ineffectual exceptions—that federal government purchases be made in the United States.

Today's full employment means that the law serves only to limit imports, keep American allies hanging on the trade ropes and reduce the effectiveness of our foreign aid expenditures. Nevertheless, the government has not only maintained but extended the measure. The appropriation for the Defense Department for the fiscal year 1952-53 carried a provision that preference be given to domestic food, clothing, cotton and wool in all forms, not only for use within the United States but also for use abroad.

These backward somersaults of American policy must inevitably mean that foreign demand for our products will outrun the ability of foreign nations to earn dollars. Despite a record $7.03 billion of US foreign aid for fiscal 1953, despite extensive American offshore purchases of military and other goods and services, foreign nations have had to stiffen their restrictions on purchases of US goods and services in order to close the celebrated dollar gap. American policy, therefore, looks rather silly when it proclaims the closing of the dollar gap as if it were an accomplished fact and urges foreign nations to get rid of their import quotas and make their currencies freely convertible.

Despite all this, US policy would become less contradictory if it attempted to pave the way for unfettered international commerce by moving a larger amount of dollars into the stream of international payments by investment of American capital abroad.

US LEADERS CHART...



Obsessed *with the need for government economy, Budget Director Joseph E. Dodge (left) and Treasury Secretary George M. Humphrey point to the public debt as grounds for slashing economic aid to other nations. Equally damag-*

Unhappily, a solid array of contradictions have kept US investments abroad at a minimum.

Private US capital has stayed home largely through fear of Communist ascendency through external aggression or internal revolution. But the very fact that US capital does *not* enter countries to strengthen their moral and material fiber may itself lead to their capitulation to communism.

The sole alternative to private US capital is the US Treasury. For this reason, Washington's protestations about free-world economic unity and wider trade will remain empty slogans unless government funds are made available for productive investment abroad.

There are a number of ways this can be done—and done effectively. But we seem to expend much of our genius on finding excuses for ignoring them.

One increasingly popular excuse argues that the United States cannot afford foreign economic aid. US delegate James D. Zellerbach recently told the UN General Assembly's Economic and Financial Committee that a $50 billion defense budget makes it impossible for this country to contribute to any new international fund for economic development. Although he claimed to be "fully alive to the urgent need for improved living standards in large parts of the world," his message revealed no appreciation of the fact that the free world must be economically secure if military security is to have any meaning.

There is, moreover, expert opinion to the effect that the United States, far from being exhausted by a $50 billion expenditure, could support a defense program of about $70 billion to $75 billion by 1956. A National Planning Association study reveals that this could be accomplished without "substantial" tax increases, without "substantial" deficit financing and without the need for "comprehensive direct anti-inflation controls."

...A TWO-WAY DISASTER

ing is the blindness of businessmen to the fact that imports must balance exports. William E. Knox (left), president of Westinghouse, hates imports. Here he dedicates two Westinghouse generators in Italy bought with US funds.

Whether or not this is 100 per cent correct, conceivably several billion dollars could be made available without undue strain to lift our foreign economic policy from its present stagnation.

A refinement of the "we can't afford it" theme is contained in the woeful homily, "The best insurance for the free world is a strong America." Extreme advocates of this view—and there are many who accept it as the proper beginning and end of our policy—see taxation and deficit financing as a Marxist plot to destroy us by undermining our currency.

The present administration has bolstered this school of thought by stressing the need for financial "orthodoxy" and reduced taxes. In his anxiety to balance the budget Joseph E. Dodge seems to have lost sight of the real dangers facing this country. It is reported that Secretary of Defense Charles E. Wilson, worried about Dodge's attempts to effect excessive economies in Army, Navy and Air Force appropriations, is now bucking the Budget Director by talking about his higher responsibility to the American people. Tragically, nobody has explained to Dodge the larger meaning to American security of an international development corporation financed by the United States.

ANOTHER excuse much used today to limit the flow of government funds abroad is the "danger" of building up foreign industries as competitors to US industry. This is the favorite of Treasury Secretary George M. Humphrey, who warned not long ago that our own Export-Import Bank and the UN's International Bank for Reconstruction and Development would receive no funds "to finance investments abroad on a large scale in the development of competitive enterprise."

Humphrey's deep but ill-conceived concern for the safety of American capitalism virtually ignores the oft-proclaimed principles of free enterprise. It also lacks conviction: capitalism as we know it today is on trial for its life and will survive only if it provides a remedy for the free world's economic maladies.

The final refuge of those who oppose the outflow of government funds is perhaps the most amusing of all the contradictions that beset US foreign policy. American labor, agriculture and industry are sheltered from foreign competition by the purest of socialist measures: subsidies in one form or another, including that greatest of subsidies—the tariff. These same beneficiaries of socialism, however, are the first to inveigh piously against government investment abroad as a violation of the rights and privileges of free enterprise.

Eight years after the end of World War II the world is no closer to an effective system of international trade and payments. Commerce remains shrunken as nations huddle behind their stultifying trade and currency restrictions. America will not be safe until we learn that economic unilateralism is a fallacy, which, if we continue to follow it with our present tenacity, will endanger our very survival.

Communist machine-gun fire dropped him in combat. But whole blood kept him alive, saw him through the hospital. He thanks you for his life.

She'd been exposed to polio. A new serum, *Gamma Globulin*, made from blood, helped ward off the dread disease. She thanks you for her life.

A tornado whipped suddenly across her home town. She was badly injured by falling debris. But a quick operation, several transfusions pulled her through. She thanks you for her life.

Three grateful people say:
"We're HERE...
because you were THERE!"

NATIONAL BLOOD PROGRAM

GIVE BLOOD

...give it again and again

Audit of World Finance

Interest Rates and The Flow of Capital

By Sipa Heller

Professor of Finance, Graduate School of Business Administration, N.Y.U.

THE problems of stimulating the flow of American private capital abroad will be eased by the lower money rates now in force in the U. S.

Interest rates have witnessed a considerable drop here recently. While in May 1953, 90-day Treasury bills were selling to yield 2.20 per cent, in the middle of October the rate of return dropped to about 1.40 per cent. A much less pronounced decline occurred in the yields of medium and long-term government obligations as well as in the return on high-grade bonds and preferred stocks.

The facts that the boom is gradually coming to an end and that business activity is leveling off contributed to the change in policy of the monetary authorities as well as to the slowing down in the demand for bank credit. In fact the seasonal demand for bank credit this fall is smaller than was expected.

While between the beginning of September and the middle of October 1952, commercial, industrial and agricultural loans of weekly reporting member banks had increased by $1,041 million, the increase during the corresponding period this year was only $232 million. This has resulted in a decline in the rate at which commercial paper, which in September was 2.75 per cent, was reduced in two steps to 2.50 per cent, effective October 13.

All indications are to the effect that the present policies of the Reserve authorities will continue, and should business activity witness a greater decline than is generally expected, particularly if accompanied by an increase in unemployment, further measures may have to be taken by the Reserve authorities to broaden the credit base and increase the availability of bank credit. Monetary and credit controls will undoubtedly play a considerable role in preventing a normal economic readjustment from becoming a more serious recession.

What effect will this have on conditions abroad? It is well known that economic developments in the United States exert a powerful influence on economic conditions abroad. Thus, for example, the mild and short-lived readjustment in 1949 had rather wide repercussions throughout the entire free world and was at least in part responsible for the devaluation of currencies in twenty-nine countries. The reduction of the discount rate by the Bank of England and the Bank of France on September 17, 1953, from 4 to 3.50 per cent, coincided with a drop in US money rates.

THE reaction abroad to developments here stems from the facts that the United States is the largest buyer and consumer of certain basic raw materials produced in the free world and that there is a relationship between the degree of business activity in the US and the volume of imports, which in turn affects the economies of the exporting nations.

While a free ecenomy is bound to have its ups and downs, a severe recession is not to be expected in the United States. Not only is the economy dynamic and the population increasing at a rapid rate, but, in addition, the government is prepared to intervene with credit and fiscal measures.

Thus a healthy economy in the United States combined with the reduction in money rates will help to increase direct American private investment abroad.

What You Should Know About Protected Industries

Every stockholder who attends an annual meeting should beware if the Chairman of the Board bewails the crimes committed against his company by foreign manufacturers.

The irony of the chairman's complaint is that in many cases the company's ills stem from the very fact that it enjoyed protection from foreign competition and grew soft and lazy in consequence. Either his company didn't keep up with strictly domestic developments and allowed its market to vanish, or it permitted more dynamic competitors, who cut costs and prices and developed new techniques and products, to move in.

If the company were to liquidate its assets the stockholders would benefit greatly, because many of these companies "are worth more dead than alive." That old and respected Wall Street term simply means that the book value per share of stock is greater than the price the stock will bring on any of the US security exchanges.

A recent study shows that there are at least 163 companies with common stocks traded on the New York Stock Exchange and the American (Curb) Stock Exchange which are actually worth more dead than alive. Most of them are not concerned with the threat of imports, but a few *are* involved in this question.

In each of the four companies discussed below, the book value includes the entire amount that the company would receive if the fixed and current assets were liquidated at the value each carries on the company's books. In practice, of course, the company could not realize full book value were it to liquidate, but it would come close enough to create a real profit for its shareholders.

The first of these firms is the hard-pressed American Woolen Company. Near the end of October its common stock was selling for $15 a share while its book value was a whopping $70.48.

The entire woolen industry has been claiming for some time that cheap foreign labor will run it out of business if imports are increased. But the ability of foreign mills to produce cheaper textiles is not the real reason for American Woolen's current position. Although this company was losing more than $4 million in the first half of this year, another textile manufacturer, M. Lowenstein & Sons, was making $4.5 million by turning out cottons and rayons at popular prices. While the latter firm probably dislikes low tariffs as much as American Woolen does, it knows its real enemy and has beaten European and Asian importers at their own game—by modernizing its plant and improving distribution techniques.

American Woolen was slow to realize that the answer to its particular problem lay in low-priced synthetics, and by the time it stopped fighting the new fibers, a good bit of the market it might have had was taken over by others. All the import barriers in the world won't save this company from domestic synthetics.

Another company worth more to its stockholders were it to liquidate is Glen Alden Coal. On October 23, 1953, the common stock was going for $7 a share, but its book value was $49.19. The coal industry is second to none in denouncing imports, but here again the real threat is domestic.

Back in 1900 coal was the source of 90 per cent of our fuel, but today it supplies only 33 per cent of our fuel needs. Admittedly part of this drop was due to imported oil, but our own oil industry would inevitably have taken out a tremendous chunk. It will be interesting to see how the coal barons try to fight off atomic power—logically they should demand a tariff on uranium—but many a stockholder might like to get seven times the market price for his share in an industry that has hidden behind tariffs and been outpaced by technology—mostly of domestic origin.

Still a third firm in this position is the American Crystal Sugar Corporation, bid at about $22 a share near the end of October but with a book value of $74.95 per share. This company operates in an industry protected by quotas, not tariffs. Under this system the price of sugar in the US is supported and every foreign supplier may share in the market, with each domestic sugar producing area getting its allotment as well. If import restrictions were eliminated, nations which now get comparatively small quotas would increase their shipments to the discomfort of such firms as American Crystal.

The industry is so well protected that it will take unusual pressure from abroad to alter the situation – but that's been known to happen before.

A fourth company that would be worth more to its owners if it were liquidated is Elgin National Watch. Again taking a late October price, Elgin was selling at around $11.50 a share, but its book value was more than double that—$27.02. At the moment most of the watch industry, fighting to hold down imports of finished watches, has to import many of the movements from Switzerland. If barriers were lowered, watches would come in from other countries. Even operating under the benefits of present restrictions, the US watch companies are having a hard time, and if —for political reasons—this country should feel it necessary to increase imports from Japan, the industry would have extremely rough sledding. Stockholders may look back to 1953, as old Waltham Watch security owners must look back on the years before their company ran into real trouble, and wish it had liquidated its assets.

Since most of these firms have paid dividends, although missing more than a few in recent years, stockholders who received their bonanza from liquidation would have to reinvest their money in securities if they were to realize their full profits. If the money received by stockholders were invested in new industry, some form of tax allowance might be permitted. Even without this special grant a shareholder could take his $49.19 (from the liquidation of Glen Alden, for example) and get a better return for it than he could by investing the proceeds from the sale of one share at the recent market price of $7.

By so doing, stockholders would be making efficient use of their capital—and they would be putting classical economic theory into practice.

Index for World

	FREEDOM TO MANAGE	DEGREE OF TAXATION	TRANSFER-ABILITY	PROPERTY SECURITY
	OWNERSHIP LIMITS POWER TO HIRE BUSINESS CONTROLS IMPORT-EXPORT LAWS	TAX RATES ADMINISTRATION DUTIES EXCHANGE RATES	INTEREST DIVIDENDS PROFITS CAPITAL	NATIONALIZATI EXPROPRIATION CIVIL VIOLENCE COMPENSATION
	Weight 22	Weight 16	Weight 9	Weight 3
ECUADOR	18	10	5	3
COLOMBIA	16	12	8	3
BOLIVIA	12	9	2	1
CHILE	11	7	6	2
PERU	14	12	5	3

THE first consideration of a US businessman as he studies a new foreign investment is: Can I run the business as I do at home? Next, he wonders how much of his earnings will be taxed away, and then weighs his chances of remitting profits-after-taxes in the form of dollars. His final consideration of political investment factors is the length of time he can expect his plant to be left in his control. At this point, he turns to the economic side of the investment picture. First, are the resources and facilities necessary for industrial production present? Next he investigates

Investment

WORLD Chart

INDUSTRIAL FACILITIES	PRESENT MARKET	OPERATING PROFIT	MARKET FUTURE	TOTAL WEIGHT	NATURAL FIELDS FOR INVESTMENT
ED LABOR SPORTATION ER & MATERIALS R FACILITIES	PER CAPITA INCOME LITERACY HEALTH PRODUCTIVITY	RETURN ON SALES LABOR COSTS COST OF MONEY MATERIAL COSTS	DIVERSIFICATION STABILITY DEVELOPMENT GROWTH POTENTIAL		
Weight	Weight	Weight	Weight		
7	19	19	5	100	
1	6	15	2	60	*Textiles, paper and paperboard, glass, chinaware, foodstuffs, beverages, tobacco, and other light manufacturing and processing industries.*
3	12	17	4	75	*Cement, construction materials, pulp, some heavy steel products such as piping and fittings, industrial chemicals such as nitric and acetic acids.*
1	8	13	2	48	*Mining operations of critical materials such as bismuth and vanadium, antimony, tungsten, and possibly uranium. Light manufacturing and processing.*
4	12	17	3	62	*Rubber manufactures such as tires, basic chemicals for industry such as acids and alkalis, cement, assembly operations of many consumer goods.*
2	10	16	3	65	*Canning and bottling, glass, fiber processing, petroleum refining, some forestry products, light metal products and hardware, soap, tanning.*

the market the country affords and the rate of return on sales in relation to costs. Finally, he examines the probable development of the market. Index for World Investment brings all these factors together and will continue to evaluate them for five comparable countries each month. Using this tool as the basic step toward detailed analysis, potential US investors can choose, quickly and accurately, the area which best suits their business.

Address inquiries concerning the Index to WORLD, 319 East 44th Street, New York 17. (UN World, Inc., 1953.)

Mexico's Ambition: Plants To Process Raw Materials

MEXICO CITY, MEXICO

Realization by Mexicans that the successful development of their nation does not depend on exports of raw materials but on shipments of processed goods made from those materials creates a great opportunity for American investment.

There are some warning signs, however. The Mexican govenment—eager though it is to attract foreign-backed business—wants investors ready to put money into industries that will increase the flow of processed goods.

This does not rule out mineral development. It simply means that the company that goes into extractive industries must be willing to operate on a complementary basis, helping the Mexicans to increase their output of materials which will enable the country to develop its own industrial facilities. As long as the investment meets that standard there is little danger of expropriation.

There is one other problem for potential investors in Mexico since, on a peso basis, labor is not cheap. It would be hard to show a profit on a product for local consumption that required a large amount of man-hours to make. Products that are planned for sale at other than peso prices, however, are likely to do handsomely, and although labor is well organized, it is very cooperative.

The US Department of Commerce's Office of International Trade apparently feels that—taking these problems into account—Mexico is "one of the most favorable areas" for foreign investment in Latin America. The World Bank rates it among the top three or four nations south of the Rio Grande.

Right to Profit

The attitude of the government toward new investment and the right of investors to make a profit has been unequivocally stated. Recently the Secretary of the Treasury announced that "we are convinced that capital disposed to collaborate in the work of our economic development should be welcomed and given an opportunity to make legitimate profits." Further, he went on to say that the government feels private industry in Mexico must stand on its own feet, but industries which increase production and reinvest earnings will be aided.

When the industrial chambers of commerce in Mexico emphasized that the future of the nation depended on the processing of raw materials rather than exports of unprocessed minerals, etc., it gave Americans a chance to take part in this development, since most local sources admit that foreign capital as well as know-how is needed to achieve their goal.

The examples of specific opportunities are almost unlimited. In the heavy industry field, steel production is probably most wide-open for capital from abroad. Although new plants have been built, a great potential for new production remains. Because of this need—one that must be filled before the lighter industries can expand as rapidly and economically as Mexicans would like—the government will no doubt be very receptive to foreign offers, according to financial observers, since such development would cut down imports of steel, a prime aim in the drive to industrialization.

Processing Industries

At the other end of the industrial scale are the packaged, ready-mixed cornmeal companies. This meal is used to prepare Mexico's basic food—tortillas. Although there has already been considerable development, future possibilities are tremendous. The fact that locally grown corn is plentiful favors investors in ready-mixed baking products and also creates an opportunity to produce cereals, syrups and oils—now imported. Such plans to increase domestic output would win government approval.

There are, among others, two big additional fields favorable to American investors because of newly available processed materials. The first of these, sulphur—where development has nearly eliminated the need for imports—opens the way for producing goods containing sulphur. The second big field is the manufacturing of products using polyester resins. Celanese is about to begin distributing the resins in Mexico and will run "pilot operations" for industries that make everything from bolts to building material. This means that investors can set up in business at minimum expense for methods of production.

On balance, opportunities for investment in Mexico are here for the taking, and the government appreciates the need for a return on capital. The major requirements are that the investor and his potential business make use of Mexico's resources in a way that will decrease exports of unprocessed materials and increase the present production of processed goods, thereby improving the overall industrial facilities of the nation.

How Naguib Goes After US Investors

CAIRO, EGYPT

To solve this country's pressing economic problems, the Naguib government is going all-out to attract foreign investors. For example, a revised mining law—recently put into effect—appears to be directed right at American interests.

This law permits foreign companies to exploit petroleum on an equal basis with Egyptian companies by paying royalties ranging from 15 to 25 per cent. The Southern California Petroleum Company was the first American oil company to move into Egypt under the new legislation. It is already drilling its first well and has asked permission to explore for oil in 105 different areas of the Egyptian deserts.

To encourage investment in the extraction of other minerals in the deserts, the Mines and Quarries Administration has set aside 40,000 Egyptian pounds for mineral surveys and an experimental service in Mersa Alam, where tests of minerals will be made. Results of these tests will be available to the public and to mining companies.

In addition to oil, deposits of copper, iron, gold, sulphur, granite and manganese are known to lie beneath the deserts, and local government and

banking circles believe that US corporations interested in developing these resources would get the same treatment as Southern California.

"Incentive" Tax Law

The investor in mining will also benefit from a new tax law which reduces taxes as much as 50 per cent for companies formed, or expanded, in the fields of mining, industry, hotels, motive power and land reclamation.

Repatriation of profits and capital has been made easier for investors in the same fields by another new law affecting foreign investment which permits repatriation of profits up to 10 per cent of the registered capital of the company. Profits in excess of 10 per cent may be repatriated if the enterprise has earned the foreign currencies required. After five years capital may be repatriated up to one-fifth of the registered capital per year.

It is noteworthy that hotel companies are included in the list of enterprises eligible for these benefits. Egypt's tourist industry is expanding, but Cairo still suffers from the acute hotel shortage caused by the burning of most of its first-class hostelries in the riots of January 26, 1952.

Plans are being pushed to rebuild historic Shepheard's—a casualty of the riots—but more capital is needed in this venture and, according to the financial community here, American inquiry would be extremely welcome. Experts on tourism say Cario offers a rare opportunity for hotels aiming at the upper-middle-class market.

Like most awakening nations, Egypt is eager to develop an iron and steel industry. Earlier this year the government called for international tenders to be submitted by the end of March. Several offers have come, mostly from German or French interests, but it is still not known if the government has found these acceptable.

The Naguib regime wants to stimulate sugar production and is offering large tracts of uncultivated land to companies that will grow sugar cane and beets. A new sugar refinery which will ultimately produce 100,000 tons yearly is planned.

The government also is interested in supporting the establishment of a paper factory, a silk factory, and in aiding companies willing to invest in jute production. Tenders have also been requested to finance the building of factories for motor tires, batteries, and spare parts.

Good Labor Supply

Egypt offers an enormous pool of cheap labor and a minimum of labor problems. Although the country is mainly agricultural at present, surveys show that half the farm workers could go into other occupations without reducing food production. This means that a huge source of *potential* industrial labor already exists, but skilled workers are rare.

The greatest overall deterrent to foreign investment is Egypt's political instability. This is why General Naguib and company are trying so hard to reach an agreement with Great Britain on the Suez Canal Zone and thus clear the internal political decks. By settling their political problems they hope to usher in a period of economic stability and development in the Nile Valley.

Belgium Offers Aid and Comfort

BRUSSELS, BELGIUM

The lack of sufficient domestic capital to meet the country's need for industrial development opens up opportunities here for US investment. Further, regulations governing the repatriation of capital are purposely kept liberal in order to attract the wanted funds.

Belgian bank credit will probably be easier for Americans to obtain next year than it has been in some time because the government will not have to borrow so much from private banks.

Meanwhile the Belgian economy, although hit by a decline in import and export prices, still continues above the pre-Korean War level of activity, with purchasing power relatively good and the country still prosperous. Despite these cheerful aspects, the mood of businessmen here is deeply pessimistic, mainly because the outlook for exports, on which Belgian industry greatly depends, is not encouraging.

There is no doubt that the investment of American capital would greatly benefit some industries. Auto-assembly plants are a case in point. Here the government, in an effort to stimulate domestic employment, will ban imports of assembled cars after September 1954. A much broader field was opened up this summer when Esso Standard (Belgium) started operating its new crude-oil refinery at Antwerp. The Prime Minister has indicated that such a plant could be used to promote the petrochemical industry. Because of this attitude, bankers here feel that the government is interested in giving foreign capital all possible aid and comfort to help develop an industry whose products could be used within the country.

No Dollar Shortage

As for textiles—a traditional Belgian product—the financial community does not think that any further expansion can be made except in synthetics.

In addition to synthetic textiles only two industries—wool carpets and glass—are not worried about their markets' contracting in the near future despite their reliance on exports.

While they believe that most exports will decline, Belgian businessmen and bankers do not foresee a serious drop in sales to the US and thus do not anticipate a dollar deficit in the near future. To potential American investors this should mean that Belgian dollar exchange controls won't be tightened and that the government will still be in a position to allow the repatriation of US currency.

The Belgian government is opposed to direct federal assistance to industry, but it realizes that something must be done about high production costs. These result mainly from the slow rate at which inefficient machinery is being replaced—a condition which could be considerably eased by US capital and modern American equipment. The government is doing all it can to attract both.

Tariff Concessions Without Tears

By Sumner H. Slichter
Lamont University Professor, Harvard University

UNLESS the United States is able to increase its imports substantially within the next several years, our exports are almost sure to drop by several billion dollars a year.

Drastic reduction in US tariff duties has been suggested as necessary to increase imports and preserve our export trade. Such a reduction on the one hand raises the hopes of those who foresee the unemployment that a several billion dollar decrease in exports would bring, and on the other makes many Americans fear the evil effects of unimpeded foreign competition on domestic industry.

Both the hope and the fear are misguided. Efforts by the United States to preserve its export trade by encouraging imports through drastic tariff reduction would: (1) effect no immediate large increase in imports; and (2) result in a substantial growth of imports over a period of ten or fifteen years *without significant dislocation of American industry.*

Imports of crude and manufactured foodstuffs will probably not increase much faster than our population, although there are good possibilities of substantially raising imports of sugar, butter, cheese and fish. At present butter is under embargo.

Our purchase of minerals and metals should grow considerably faster than either our population or national income because the amount of low-cost domestic output is limited. Imports of petroleum and petroleum products should continue to grow rapidly, especially as the fast-expanding Pacific states are now a deficiency area. Our demand for minerals and metals, however, is limited (duties on metals are already low), so imports would not mount steeply even if tariffs were abolished.

A large increase in US imports is thus possible only through rise of imports in finished manufactures. There are several reasons why such imports are not easy to expand quickly—and why, therefore, US firms would not see their home markets wrenched away from them by foreign competitors in the event of a drastic tariff reduction.

The most important obstacle to such imports is the superior efficiency of most American industries. A second is the remoteness of American markets from other major producing centers. Third, most European manufactures could enter the American market only on a scale so small that the unit costs of selling here through their own organizations would be prohibitively high, while representatives and agents often fail to provide aggressive selling.

For these reasons, a large increase in imports could not be expected overnight from heavy cuts in duties on finished manufactures. Without a change in duties, such imports would probably grow at about the same rate as the gross national product, or about 3.5 per cent annually. This would give an increase of some $70 million a year. Substantial slashes in duties might reduce the prices of imports of finished manufactures relative to the prices of competing American-made goods by as much as 10 per cent. This figure may be too high, since domestic producers would reduce their prices to meet foreign competition.

Careful studies indicate that a 10 per cent drop in the prices of foreign manufactured goods relative to competing US goods might raise demand for them as much as 25 per cent. This figure would apply only to those manufactured goods which are dutiable—about $1 billion worth a year. Hence, the rise would be $250 million a year in imports of finished manufactures.

The rise in other imports resulting mainly from the growth of our economy would probably be around $300 million, making the total increase just over $600 million.

This is a discouragingly low figure, indicating that even drastic cuts in duties will not enable us to buy enough to sustain the present volume of exports when substantial cuts are made in military and economic aid to other countries. The figure also indicates that the dislocating effect of drastic tariff reduction on domestic manufacturing industries would be negligible, since the rise in imports that can be expected is only about one-quarter of one per cent of domestic factory output.

POSSIBLY the outlook for greater imports is not completely black. American demand for finished manufactures is growing at the rate of $3 billion to $4 billion a year. With substantially lower duties, foreign producers will have a better chance to share in the business of new products—chemicals, electronic apparatus, machinery.

In the course of a decade or so the economy develops many new products. Demand for these articles grows several times faster than demand in general — in some cases many times faster. Low duties or the absence of duties give foreign sellers a good chance to compete in the most rapidly growing sections of the market. Hence, in the course of ten or fifteen years, low duties can produce a substantial rise in imports—and without causing any dislocation of US industry.

Two decades of aggression have made fear a way of life and caused . . .

THE DECLINE AND FALL OF MONEY

By KURT BLOCH

Ex-Associate Editor, Fortune *magazine; now Associate Editor,* Barron's Weekly

DESPITE a deep and vociferous interest in the stability of the international economy, Americans have not really faced up to the true predicament of world finance. We have placed heavy stress on the return of our overseas allies to principles of sound fiscal management in the belief that this would help them to make their currencies freely convertible. Unfortunately, the best managed national treasury can't stop the flight of capital from its coffers because it is powerless to do much about the chronic fears engendered by the possibility of political earthquakes.

It is the continued threat of war and its destruction that has weakened currencies in Europe in the last twenty years and caused capital to emigrate in search of a safer, more favorable climate. One result of the cold war has been the continuation of that flight.

Americans would understand the situation better if they appreciated the fact that it is unreal to expect anyone to invest capital in a country whose existence is threatened by such irrational forces as war or revolution.

Instead, our attempts to turn the one-way street on which capital has been moving since 1934 into a two-way thoroughfare have largely ignored the root cause—anxiety.

We have been trying to restore the Victorian and Edwardian methods of capital movements when peace —the normal condition of that era which made such transactions possible—is missing.

Back in the days when a two-way flow did exist, men and money moved freely across the borders of the world; large-scale wars were so rare that they did not have to be taken into account. Bankers and businessmen had confidence in the stability of their governments—an atmosphere distinctly different from our own. They dealt with one another knowing that each would be at his desk, not cowering in a bomb shelter, the next day.

As late as the 1920s—when the Victorian climate had a brief revival—American, British, French, Dutch and Swiss banks placed large amounts of money abroad on a short-term basis because the fear of war as we know it today was absent.

Even when Americans try to fix a date for the collapse of international credit we go wrong, since we usually pick the events which came immediately after the twenties. We assume that the key events took place in 1931 when Austria and Germany reintroduced World War I exchange controls and Britain abandoned the gold standard.

Yet the political turmoil of the next decade had a more momentous effect on world finance, for it was then that fear really began. The upheaval started with the seizure of power by the Nazis in Germany, and was soon followed by the near-revolution in France under the *Front Populaire,* Mussolini's Ethiopian war, the Spanish Civil War, and finally Munich, with its aftermath.

The combination of these events was too much for Europe's financiers, who saw the threat of war growing each month. Their fears resulted in a capital flight to the United States of unprecedented size—$10 billion or so.

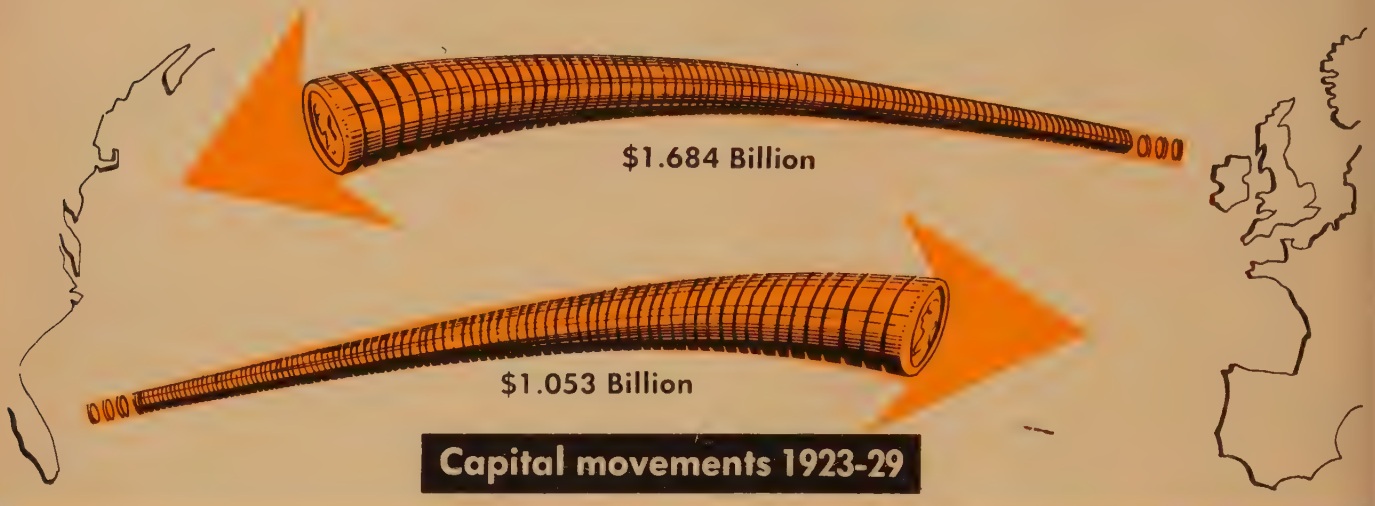
THE confidence of Europe's bankers never returned, for on the heels of World War II came the cold war. Still, there were signs in late 1945 that the world might pick up where it left off in the twenties. Holland, for example, was able to sell a publicly offered bond issue in the United States right after V-J Day.

Soon, however, it became apparent that there could be no international capital market of any considerable size in a world that was being split into two armed camps. In fact, any one of the aggressions of the last six years would have been enough to shake international finance to its foundations even if by some miracle it had temporarily regained its pre-1914 confidence.

In the circumstances it is hard to explain why Americans continue to ignore the relationship between peace and commerce and insist on an impossible goal

WHY EUROPE HAS SHACKLED

Free Currencies move confidently in normal periods . . .



—uncontrolled exchange of currencies in a world still far from sure that wars are over "in our time."

The officials who met at Bretton Woods almost ten years ago thought they had solved the problem of creating sound currencies in troubled times by dreaming up a new concept of convertibility.

Their scheme—under which the International Monetary Fund must operate—prescribed free convertibility of currencies only when the deal paid for current commercial transactions, mainly the shipment of goods.

Thus convertibility was not extended to non-recurrent transactions; the movement of capital which could be used for productive investments might, under this concept, be legitimately blocked.

The theory behind the plan was that nations with war-damaged industry needed only time to recoup, although in the interim they could not authorize big long-range capital commitments abroad. If current commercial transactions alone were made convertible, serious drain could be prevented and increases in production, coupled with sound fiscal management, might bring a return to complete convertibility.

The fatal error was the plan's failure to realize that capital movements are necessary to pay for current transactions because they provide the credit which makes the short-term deals possible.

Further, the theory ignored the fact that if a country is not in a position to permit long-term transactions, production losses and unbalanced budgets may not be the only reason. Fear of aggression and upheaval will cause a flight of capital that no amount of theorizing—but only controls—will minimize.

The Bretton Woods house of cards, never able to stand firm even within its own limited definition of convertibility, collapsed by the end of 1949.

Fearful of the political and financial stability of their continent—which foreshadowed devaluation of their currencies—European importers tried to purchase as much as they could abroad and settle their bills for cash. For the same reason American importers deferred payment on their foreign purchases.

The strain cut cruelly into Europe's foreign exchange receipts and increased its outlay for foreign exchange. Since there was no untapped source of credit available to tide the European exchequers over, devaluation had to follow—providing a public demonstration of capital flight from inconvertible currencies that are "under the guns."

The crisis proved that what the men of Bretton Woods tried to create, the convertibility of something they called "current international transactions," just wouldn't be created. Under the proper conditions, one party to a "current transaction" waits as long as he can before fulfilling his end of the deal. The result is that "current transactions" become, in effect, indistinguishable from non-recurrent transactions except in theory.

All of which means that the credit backing the flow of world commerce (defined by Bretton Woods as "current transactions") and the form of credit that bankers call capital movement (considered to be "non-recurrent transactions" under the Bretton Woods Agreement) are really the same thing—money. And there is no way to change the natural flow of money, which will always move toward its safest harbor.

ITS CURRENCIES

. . . but fly to security in times of upheaval

The failure of the US-backed Bretton Woods Agreement to stimulate a two-way flow of credit and capital is made even more obvious by the dearth of institutions that could facilitate their movement.

IN THE absence of a climate of confidence only two official international institutions do even a minor business in short-term funds: the Bank of International Settlements—used very little in recent years—and the European Payments Union, which operates a scheme of limited mutual credit between the central banks of its members. Most of its creditors feel they extended too much credit to the EPU, and if they were negotiating the plan today they would be less generous.

The fact that EPU creditors receive adequate interest rates but still dislike granting credit within the Union reveals how low international confidence has fallen. It also shows that the first thing bankers want to know before they enter an international transaction is not the stated rate of return but the stability of the nation with which they are dealing.

As far as long-term lending institutions are concerned, the World Bank—established at Bretton Woods as an instrument for long-term lending—now extends credit only to pay for capital goods moving in international trade and not to equalize interest rates.

The old, peacetime function of central banks was to use their rediscount rates to influence the international flow of currency. A higher rate, while making credit more costly, favored credit expansion by drawing in foreign funds. A lower rate made credit cheaper and chased funds abroad.

Textbooks claim that rediscount rates still have this effect on international capital movements. But today's fears repel capital more strongly than high interest rates attract it, abrogating the old function of rediscount rates. Faced with this situation, the central banks introduced "selective controls" over credit in an attempt to make capital move where it was most needed. These controls, given the current ministry of fear, have been anything but a howling success. Moreover, by their very existence they have made it harder to revive the old pattern of international capital movements and credit.

However, the situation does not *have* to last forever. Even now it seems that the cold war is losing some of its terrors as more and more people are encouraged about the possible co-existence of the Soviet empire and the free world—a view bolstered by the increasing strength of the non-Communist nations.

If this belief becomes reality, the favorable effects on the free world's commerce would be tremendous. The Soviet-directed cold war of mid-1948 to mid-1953 was designed in good part to keep the West unnerved in order to prevent a return to an atmosphere which bankers and businessmen consider normal. If peaceful conditions return, they will bring with them a revival of the international flow of credit and capital. Then—and only then—can currencies become freely convertible.

In the meantime no amount of fiscal legerdemain and exchange controls will do very much to alter a situation which is, after all, based on fear of death and destruction—against which all men seek protection.

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STATISTICS OF NATIONAL INCOME AND EXPENDITURE *(UN Statistical Papers, 1953: Series H, No. 4; 60 cents*).*

In Peru—now trying to industrialize at a fast clip—total wages and salaries in 1951 were only a little less than the total income of unincorporated businesses. On the other hand, in Canada, an already industrialized country, the wage figure is about three times as much as the unincorporated income. That's the kind of analysis you can make with this tabulation of national and per capita income in more than 70 nations which lists gross capital formation and spending on an annual basis for goods and services.

THE NATIONAL INCOME OF THE PHILIPPINES AND ITS DISTRIBUTION *(UN Sales Number: 1953, II. H. 53; 40 cents*).*

A good example of the UN reports on specific countries. This one surveys Philippine national income—industrial, personal and governmental—and it should prove invaluable to potential investors who have come under the spell of the Filipinos' vigorous appeal for new capital. The report was presented to the government as a basis for long-range policy and planning.

Specifically, it details 1951 statistics and reveals that government and personal income totaled the same: 7.6 billion pesos ($3.8 billion); and that the gross national product stood at 8.4 billion pesos. Goods and services actually available for consumption had a greater value than the gross national product because of borrowing from abroad and, in particular, US aid.

BLACK MARKET YEARBOOK *(Pick's World Currency Reports, 75 West Street, New York; $25).*

Although Britain may have to play second fiddle in many fields she once led, her currency has the dubious distinction of being most often transferred illegally from one country to another. The 1953 edition of what is becoming a standard work reveals that there are no fewer than 69 types of pounds sterling and that, in volume, it is the most frequently traded on the black market. Incidentally, the French franc ranks second. The *Yearbook* is a handy aid for anyone trading abroad, but of course needs constant revision.

RESTRICTIVE BUSINESS PRACTICES: *Annex C (UN Publication, Economic and Social Council, 16th Session, Supplement No. 11B; $2.50*).*

This useful addition to a more general report by ECOSOC contains the texts of national legislation that restricts the operations of foreign companies. It covers 60 nations, but since some of them did not cooperate with the Secretariat, the report is incomplete, although it's the best compilation available in short form.

To take a single example (one that should give Americans an understanding of the material included on other nations): In dealing with US governmental restrictive business practices, the study includes the text of such laws as the Sherman and Clayton Antitrust Acts, the Federal Trade Commission Act, the Robinson-Patman Act and the Tariff Act of 1930.

MOBILIZATION OF DOMESTIC CAPITAL *(UN Sales Number: 1953, II. F. 4; $2.50*).*

A report by the Second Working Party of Experts of the Economic Commission for Asia and the Far East investigating the mobilization of domestic capital and the status of industrial and agricultural finance and development corporations. It has much useful information on Asiatic and Far Eastern countries which cannot be easily obtained anywhere else and contains practical suggestions for potential investors in the area.

The Working Party thinks that the climate for private investment has improved in the area in recent years, but discourages nonessential private investment. The survey gives details of many governmental plans aimed at attracting private capital – among them, tax concessions, liberal depreciation allowances, exemption from certain tariffs, etc. It notes a lack of local planning for investment and a shortage of experienced entrepreneurs.

*A *United Nations Publication. Address: DPI, United Nations, New York, N. Y.*

The Impatient Man on Ike's Team

HOLDOVERS from the Truman administration are rarities in Eisenhower Era Washington; Samuel Wagner Anderson was not only asked to remain in government but promoted to "Little Cabinet" rank as Assistant Secretary of Commerce. To surprised friends he explained: "I always was a Republican."

A great many of his party colleagues in Congress would probably challenge his claim to good standing in the GOP faith. Anderson's kind of Republicanism is distinguished for its idealism, but critics would find it hard to hang the do-gooder label on him. He is a tough-minded businessman who has met a lot of payrolls and there is nothing dreamy-eyed about his energetic campaign to make sense out of American foreign trade policies.

Liberalization of America's foreign economic policy is probably President Eisenhower's hottest potato, and he has tried to cool it by appointing less than ardent free traders to the Cabinet and by creating study commissions to reconcile extremist views.

The wisdom of the President's course may become clearer in the next few months. But if a sane and modern policy is finally adopted, much of the credit will have to go to Sam Anderson, a man who makes his liberal views very plain indeed and who reaches important decisions with amazing speed.

Anderson's job—to run the Bureau of Foreign Commerce that has replaced the old Office of International Trade, administer export controls and serve as chief consultant to the White House on foreign economic policy—puts him in a position to make his weight felt. It wasn't long after his appointment last January that he used it to good advantage.

The six-man Tariff Commission had reached a deadlock on a proposal to increase the duty on briar pipe imports, and the President was called on to break the tie. Recognizing the precedent-setting importance of this initial action by Eisenhower, high tariff advocates applied intense pressure on the White House. For a while it looked as if they would win.

The protectionist lobby had not reckoned with Anderson. Acting for the Commerce Department, he prepared a report and recommendations for the President in double time (a typical Anderson trait), basing it on a wealth of background experience, consultations with everyone in government concerned with such questions, and brilliant staff work. His liberal recommendations were followed in substance: the President sent the problem back to the Commission for further deliberation without ordering a rise in duty.

WHEN President Eisenhower decided to throw the entire question of future US foreign trade policy into the lap of a study commission (headed by Clarence E. Randall), Anderson knew that the commission would give free trade a chance only if it was objective and well organized. He formulated plans regarding its composition and method of operation, made excellent recommendations about the professional staff of the commission, and suggested liberal men to fill the seven seats on the commission held by "private citizens."

Not content with this, Anderson is drawing up recommendations to be made to the commission which he hopes will be included in its report to the White House, due next March.

Sam Anderson is battling for a rational foreign economic policy more directly as the head of a cabinet *ad hoc* committee which includes Assistant Treasury Secretary Andrew N. Overby, Assistant Secretary of State Samuel C. Waugh and Deputy Director of the Foreign Operations Administration William McNear Rand.

The committee's responsibilities are profound. It is working out a tariff schedule which would advance the "Trade, Not Aid" position of the Eisenhower administration, and is attempting to discover how private US capital can be encouraged to go abroad—encouragement that Anderson knows will be vitally important when the Foreign Operations Administration is liquidated.

Fifty-five-year-old Samuel Wagner Anderson has a lifelong habit of taking the front seat. At Harvard graduate school in the early twenties he co-founded the *Harvard Business Review*, won honors in his study of finance and graduated at the top of his class. After a brilliant career in business—he became a bright light in the investment banking firm of Lehman Brothers—Anderson was called to Washington by President Truman. He served in the Economic Cooperation Administration and the Office of Defense Mobilization.

In view of Commerce Secretary Sinclair Weeks's abomination of reciprocal trade agreements (uttered in pre-Inaugural times) there has been some speculation about how long Anderson, the down-with-the-barriers man of action, would stay in his new spot. He is believed to have left the Economic Cooperation Administration because one of its top officials hesitated to make big decisions and let opportunities go by default. But Anderson is so completely convinced of the immensity of the problem he has tackled that he probably will not let procrastination on the part of his superiors deter him. Speaking recently of the battle over US foreign economic policy, he remarked, "I suspect this . . . will be one of the great and significant debates in our whole history."

—EDWARD J. MICHELSON

The Economics of International Air Freight

SHIPS and shoes and sealing wax and cabbages and kings—once limited to traveling abroad on water—are now taking to the air.

Perhaps the most remarkable example of the meaning of international air freight is the fact that the first part of that altered quote is true—that ships, or major parts of them, do actually travel by air. For proof take the case of a steamship line that flew a 16,000-pound shaft to a freighter stranded in Naples. It must have been a bitter pill for the steamship executives to swallow, but it would have been a lot less pleasant to keep on paying out the $5,500 in wages and fixed expenses it was costing them every day the freighter was unable to move.

The cold statistics on air freight are another impressive way of showing its new importance. From 1919 to 1945 only 100 million ton-miles of freight were flown overseas. But in the seven-year postwar stretch from 1945 through 1952, a massive 1.25 billion ton-miles were chalked up.

The reason behind this increase is the fact that the economic blessings of the international division of labor are extended far more by air freight than by surface transportation.

There are many examples of shippers who are utilizing the special advantages offered by air freight:

1. Less Packing — Less Weight: A 1½-ton offset press was flown from Stockholm to New York lashed to a steel plate—eliminating the usual bulky, heavy crating; regular $6.50 dresses were air-freighted from Brussels to New York on store racks—doing away with heavy boxes and making it unnecessary to re-press the dresses on arrival.

Many exporters find that packing costs for transatlantic surface travel averages 40 cents a cubic foot, twice as high as air freight. Less packing means less weight, lower costs for crating materials, and a saving in charges for packing and unpacking.

2. Overnight Delivery: Many department stores in the Caribbean and Central America couldn't carry medium-priced US dresses before air freight because of the long delivery time. Stores had to buy a full stock or none. Now, they just stock samples and can guarantee 36-hour delivery to customers. This keeps inventories low and enables them to promote a variety of items.

Stanley Marcus, of Dallas' famous Nieman-Marcus, learned about the blessings of sky freight in a hurry in 1946, when a December fire ruined most of his Christmas inventory. Replacements were flown in within two weeks. Since then he's found that air freight is more than just an emergency measure. In a speech to British manufacturers hungry for US sales, he said, "Deliveries are of paramount importance. Give the shortest possible delivery date, service reorders by air, and make it easy as well as profitable for an American store to do business with you."

3. Opens New Markets: "I work for a Wisconsin firm that produces trucks," a salesman told me on an SAS plane en route to Bangkok a few months ago, "and we're looking hard at the international market. We bid on an Egyptian Army contract, a big one for 6,000-pound trucks. They wanted to test one of our vehicles in Cairo by a certain date, so we flew a model there on a chartered plane. We got a contract for 600 trucks."

4. Faster Capital Turnover: A New Yorker who had only $10,000 capital wanted to develop his imports of angora sweaters through his contacts in Italy. He worked up a healthy business by using air freight, since it reduced his need for capital by allowing him to turn it over every four days instead of every sixteen. Higher sky cargo rates reduced his profit per shipment, but he closed four times as many deals and made $3,200 in the same time it used to take him to earn $1000.

5. Less Damage and Loss: Cigarette wholesalers report that they are flying tons of their product to Latin America each week out of Miami and New Orleans. Their pilferage and damage rate is much lower because the cargo requires less handling. A survey of 1952 insurance figures shows that net claims paid by scheduled US air carriers was three-fourths of a cent per dollar of air-freight revenue. Philippine Air Lines has handled 10,000 consecutive shipments without a freight claim and Pan American has found the insurance fee on a Chicago-Havana shipment of adding machines was $4.32 when it would have been $31.77 by surface freight.

Insurance rates for sky shipments are 50 to 80 per cent cheaper, and well-trained loaders, working with modern equipment, seem to do a better job than the racket-ridden longshoremen.

6. Travel of Personnel: Many businessmen who may not use air freight very often to ship their goods find that passenger planes are playing an increasing role in their operations.

"We might send spare parts to our overseas bottling plants," a distinguished-looking Schweppes representative told me in Rome last year, "but more important is the fact that swift transportation lets me visit our agents frequently to keep in touch with markets. I've just been out to Tokyo and stopped off in nine countries in three weeks. I go to the Far East every year now. Quite impossible before, without fast, reliable airlines."

7. Big Items—Small Items: The Port of New York Authority has noted steady—not just emergency—shipments of auto parts, radios, refrigerators, nylon stockings, typewriters, newspapers, drugs, and office equipment on outbound flights. Seaboard & Western Airlines, an all-cargo carrier, recently reported a regular flow of wearing apparel, furs, electrical equipment, aircraft parts, and optical goods abroad. British auto manufacturers find it profitable to make deliveries to the Continent by air.

These facts mean that in 1953—the fiftieth anniversary of powered flight—air freight is not just a dream for the future. This dynamic new industry has already won itself a place as a tool of world commerce.

—WALTER H. WAGER

Don't Sell Europe Short!

FIRE IN THE ASHES: EUROPE IN MID-CENTURY, *by Theodore H. White. William Sloane Associates, New York; 405 pp., $5.*

THE CAPTIVE MIND, *by Czeslaw Milosz. Knopf, New York; 251 pp., $3.50.*

THE WORLD BETWEEN THE WARS, *by Quincy Howe. Simon & Schuster, New York; 784 pp., illustrated, $7.50.*

THE FUTURE OF THE WEST, *by J. G. de Beus. Harper & Brothers, New York; 178 pp., $2.75.*

THE TEMPER OF WESTERN EUROPE, *by Crane Brinton. Harvard University Press; 118 pp., $2.50.*

Reviewed By
Geoffrey Bruun

Beneath the Continent's tranquil charm: a vigorous heart

"THE American traveler," declares Theodore White, "comes to a Europe which is more foreign to Americans today than it has ever been in all our history." This is a startling pronouncement, and if Mr. White were less of an authority, or stood alone in his opinion, his statement might be dismissed as a paradox. But the other four books discussed here, all recent publications, support the same conclusion in their varying fashion. Evidence piles up daily to prove that we are out of touch with European realities. Our pessimistic postwar impression that Europe is exhausted has turned out to be invalid.

The time has come to ask ourselves some searching questions. Why did we underrate Europe's vitality? Why are we still reluctant to accept the hopeful statistics that have been available for several years? Why did we base our predictions on the short instead of the long view and ignore the lessons of history? Why did we listen so credulously to the "prophets of doom" and their doleful refrain on "the passing of the European Age"?

It would seem that we have jumped to some hasty conclusions. Perhaps, indeed, we have been rather "enjoying" Europe's poor health as one sometimes maliciously enjoys the misfortunes of people one formerly envied. In any case, it does look as if our secret gratification had betrayed us into exaggerating the patient's decrepitude.

We might urge in our defense that the prevailing climate of opinion has favored a pessimistic verdict. Ever since World War I, philosophers of history—Spengler, Toynbee, Sorokin and others—have played ingenious variations on a single theme, the "decline of the West." Europe, they assured us, was in for "a time of troubles." The Europeans' former vigor and resourcefulness has been paralyzed by their loss of nerve. Just why they should lose faith in themselves when their unprecedented civilization was still advancing, and why we should be so ready to regard Europe as finished will doubtless puzzle future historians They may well decide to dub our time "the era of dismal delusions." Or if, like sociologists, they coin epithets, they may call us "the generation of prelinquishers."

But what motivates this "prelinquishment"? What inspires the proph

ets of doom? And why, in America, are so many people eager to believe them? These are difficult questions, but they are questions that the five books under review here all pose explicitly or implicitly. They are questions, moreover, that a great many Americans are likely to ask when they pause to reexamine the postulates of their postwar policies.

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One fact that will emerge from such self-appraisal is that while the spectrum of postwar opinion contained all the conventional shades, the intellectuals showed an abnormal preference for the "blues." Czeslaw Milosz, in *The Captive Mind,* tries to explain the baleful fascination of that indigo fringe. His disturbing book analyzes the predicament of Polish intellectuals like himself who faced the grim dilemma of accepting the "official theory of art imposed by Moscow" or fleeing to the West. He escaped; but he was an exception. The majority remained, and the compromises they found it possible to accept make the flesh creep.

Milosz's book is advertised as "an urgent message to the West on the Communist mentality." Such indeed it is; but the light it throws on one type of intellectualist mentality is equally significant. For Milosz makes it clear that "the intellectuals of the East look to the West for *something,*" but unhappily "they rarely find that *something.*" What they crave is the one thing the "open society" cannot offer them: an alternative orthodoxy as absolute and authoritarian as communism.

It is a current American illusion that anyone who has endured communism welcomes freedom. But the disquieting truth is that there are a great many apostles of the absolute in Europe, on both sides of the Iron Curtain, and we should recognize this fact before we undertake to "liberate" and "liberalize" them.

That intellectuals may be foes of liberty is of course nothing new. Nearly thirty years ago Julien Benda proclaimed in his *Treason of the Intellectuals* that many contemporary thinkers had forfeited their right to speak for the conscience of mankind. Rather than defend unpopular truths, rather than endure the agony of a suspended judgment, they were yielding to the seductions of cynicism, sentimentalism and dogmatism. Since Benda wrote, the flight of Italian and German professional men to totalitarian standards has gone far to support his indictment. The twentieth-century intellectual has succumbed to "isms" as readily as the twentieth-century proletarian.

It would be comforting to assume that in the United States our writers and commentators have escaped the malady of "isms." Yet if Europe is a test, the evidence seems to suggest that they have been guilty of an excessive pessimism. Since 1945 the impression of Europe that millions of Americans have come to accept is that of an old, tired, almost senile society, with little hope and less initiative, a bankrupt society dependent on our leadership and our bounty.

Even in 1945 the basic facts did not warrant such a gloomy interpretation. Our impression of postwar Europe has apparently been based on *ex parte* testimony, or at least on testimony that was not strictly objective. Did our couriers misread the facts? Did they feel constrained to honor our illusions? Did we ignore and reject those who tried to tell us truths we were unwilling to believe?

If the American public has formed an erroneous impression of European conditions, has our government also erred on the gloomy side? Mr. White does not hesitate to say that the efficiency of our foreign intelligence has declined sharply as Congressional investigations multiplied. No doubt he is unduly harsh when he asserts that intimidation has transformed our diplomatic corps into "a Foreign Service of eunuchs," but is the charge entirely without foundation? Flogging messengers who tell unpalatable truths is an ancient custom, but no one has ever proved that it increases the accuracy of their reports.

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We live today in a world of such strong political pressures that no critic of current affairs can remain wholly immune to their warping influence. Nor can he remain immune to the prevailing philosophy of history, whether he accepts or repudiates it. Throughout Western civilization the faith in progress that flowered in the nineteenth century has been superseded by the dark conviction that all civilizations decline and die, and the attendant fear that ours may now be dying. That this philosophy can color the judgments of the sanest and most scrupulous observers is evident from a reading of Quincy Howe's *History of Our Own Time.*

No one who has followed Mr. Howe's broadcasts can doubt his sincerity and integrity. He is dedicated by temperament and training to humane and democratic ideals and is deservedly honored as one of our most deeply informed and scholarly commentators on contemporary affairs. His magisterial history will remain one of the most complete, detailed and exact accounts of the world since 1900 available in our day. If it "dates" after a few years the fault will not lie in the facts, which are accurate, nor in the style, which is superb. The fault will lie in the mood, the evaluation of our age that is implicit in his judgments.

In his opening volume Mr. Howe described the first eighteen years of this century as "The World We Lost." The present book discusses the twenty years from 1918 to 1938 as "The World We Sought" but did not find, a tragic period of lost opportunities. Possibly his third volume will strike a less somber note. But he gave no indication of this when he paused at the year 1938. Though he is chronicling the most amazing advances and discoveries in human history, he sees the society that is achieving them as "that civilization laid waste, that power laid low."

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This nostalgic, this *elegiac* note has become so habitual with many critics of the contemporary scene, especially the European scene, that we accept the verdict that Europe is in decline as self-evident. It is not self-evident, and the fact that the three writers who remain to be discussed reject this verdict gives their books a special significance. They are, one dares to hope, the vanguard of tomorrow, the heralds of a more just and happier interpretation of our age.

In *The Future of the West,* J. G. de Beus takes Spengler, Toynbee and their kin and exposes the inadequate foundations on which they rest their arguments for the "decline of the West." The author, who is Minister at the Netherlands Embassy in Washington, writes with calm detachment, and the reasons he advances for doubting that Western civilization is

in decline work like a liberating charm. Here, one feels convinced, is the common sense of the matter, and the prophets of doom lose their power to chill the blood.

Crane Brinton, in *The Temper of Western Europe,* surveys the condition of Europe on a less philosophical level. Like thousands of Americans newly returned from abroad, he reports his impressions, and as he is an observant traveler with a profound understanding of Europe's past, his observations are dependable and interesting. He did not find the Western European peoples exhausted or devitalized; on the contrary he found numerous signs of their energy and prosperity. The streets are jammed with cars, the shops loaded with goods, the people eat well, the children look happy. In a word, the prevalent American conception of Europe as ailing and impoverished runs counter to the facts.

In *Fire in the Ashes* Theodore White tells the same story, but he tells it more emphatically and in greater detail. There is no space here to analyze his singular gift for bringing a whole nation, a whole continent to life, making its problems comprehensible and vital, its people individual and convincing. All who read *Thunder out of China* know Mr. White's reportorial talents. If any single book or writer can modify our current illusions about the "decadence" of Europe, Mr. White is that writer and *Fire in the Ashes* is that book.

Today the peoples of Western Europe as a whole have more material comforts, a higher standard of living, better health and a longer life expectancy than they have ever enjoyed before. Their economic recovery in the last four years has been (for once the word is justified) phenomenal. This recovery was stimulated by the $34 billion the United States has poured into Europe since the war, but it could never have been effected without the fundamental vitality of the Europeans themselves. The time has come for us to see Europe as it is, to judge it calmly and objectively, and without delusions.

About the Author: *Geoffrey Bruun, historian and critic, is the author of* The Enlightened Despots, Europe in Evolution *and other works on European history. He is a frequent contributor to American and European historical and critical publications.*

NEW AND NOTEWORTHY

Hitler's Secret Conversations. *Introduction by H. R. Trevor-Roper. Farrar, Straus & Young, New York; 597 pp., $6.50.*
Shorthand accounts of Hitler's evening monologues and conversations from 1941 through 1944, disappointingly silent on wartime events but a fascinating revelation of his mental grotesqueries.

World Power in the Balance, *by Tibor Mende. Noonday Press, New York; 189 pp., $3.*
The state of the world—its immediate past and its prospects—brought into brilliant perspective by well-documented, nonpartisan interpretation of world trends in the last hundred years.

The Dynamics of Soviet Society, *by W. W. Rostow. Norton, New York; 282 pp., $3.95.*
An up-to-the-minute analysis of the evolution of Soviet rule and of the cohesive forces, instabilities and tensions in contemporary Soviet society. From M.I.T.'s Center for International Studies.

A History of Christianity, *by Kenneth Scott Latourette. Harper, New York; 1,526 pp., $9.50.*
This massive study of Christianity covers the whole world and all human history—quite a trick, but pulled off in fine style by Yale's famed professor emeritus.

European Communism, *by Franz Borkenau. Harper, New York; 564 pp., $6.*
Outstanding in its field is this authoritative story of Communist policy in Western Europe from 1934 through 1945. By a former member of the German Communist party.

Seven Fallen Pillars, *by Jon Kimiche. Praeger, New York; 439 pp., $4.50.*
A provocative report on the events and personalities in the Middle East from 1945 to 1952 by Reuters' roving correspondent. Very hard on his British compatriots.

Americans Are Alone in the World, *by Luigi Barzini, Jr. Random House, New York; 209 pp., $2.50.*
An amiable interpretation of American life by an Italian journalist, half travel book, half rumination. A bit soured by the author's assumption that altruistic political decisions are impossible.

The Rennaissance, *by Will Durant. Simon & Schuster, New York; 776 pp., $7.50.*
In 1963, when Durant will be 78, he will have completed his great seven volume *Story of Civilization,* of which this fifth volume is an illuminating section.

Struggle for Africa, *by Vernon Bartlett. Praeger, New York; 246 pp., $3.95.*
The most readable if not the most searching survey of the continent's economic, political, social and cultural problems to appear this year.

Christian Realism and Political Problems, *by Reinhold Niebuhr. Scribner's, New York; 203 pp., $3.*
Eleven essays (10 previously published) on the thesis that political analysis without Christian faith swings between nihilism and sentimentality.

The Age of Suspicion, *by James A. Wechsler. Random House; 333 pp., $3.75.*
The political autobiography of the editor of the *New York Post* whose masterly testimony before McCarthy's committee made one of the year's more gratifying news stories.

Level Sunlight, *by Maurice Samuel. Knopf, New York; 305 pp., $4.*
A sensitive, beautifully written book on the birth of Israel, its present state and its prospects.

The Inward Journey, *by Doris Peel. Houghton-Mifflin, Boston; 241 pp., $3.*
The author, an American novelist and correspondent, reports with great perception on her travels in Germany, including East Berlin.

From the University Presses

The Refugee in the Post-War World, *by Jacques Vernant. Yale; 827 pp., $6.*
The first comprehensive study of today's international refugee problems, problems which are becoming a permanent feature of the world situation.

Germany: Key to the Peace, *by James P. Warburg. Harvard; 344 pp., $4.75.*
A compelling indictment of American policy in rearming Western Germany, balanced by detailed proposals for a reunited, demilitarized, neutral Germany. An important work.

Oil in the Soviet Union, *by Heinrich Hassman. Translated by Alfred Leeston. Princeton; 173 pp., $3.75.*
With petroleum a war munition of decisive importance today, this authoritative study provides a valuable gauge of the Soviet power potential.

Foundations of the World Republic, *by Giuseppe Antonio Borgese. Chicago; 328 pp., $6.50.*
A curious melange of argument, prophecy, analysis and poetic insight, this unconventional book by the late Italian professor asserts that world government is inevitable.

Sideshow

How to Make Friends: In East Germany last month the Society for Soviet-German Friendship was ordered by the Socialist Unity (Communist) party to bring in 500,000 new members. The bustling membership committee (including Prime Minister Otto Grotewohl, Party Secretary Walter Ulbricht, and others) immediately organized nationwide goodwill drives, advising prospective "friends" to join up or else. Among other inducements: staying out of jail, since anyone "sabotaging" the drive would be handed over to the *Volkspolizei.*

Christ Underseas: *In San Fruttuoso, on the Italian Riviera, city fathers approved plans for a memorial to underwater fishermen drowned in the line of sport or duty. The memorial: a ten-foot statue of Christ, sixty feet down in the crystal clear sea.*

Medal of Honor: In Ethiopia, Emperor Haile Selassie announced a new decoration: the Order of Conjugal Fidelity. Qualifications are twenty-five years of marital faithfulness for Knights, forty years for Officers. So far, five men have received the decoration, among them the Emperor himself.

Trial by Farouk: *In The Hague, the Netherlands Association of Newspaper Photographers came up with a rugged assignment for new candidates for membership. Dressing up two men as ex-King Farouk of Egypt and his secretary, they put the neophytes on their trail with orders to document the "royal" night life. The would-be lensmen tracked their quarry to a restaurant, found "Farouk" ferocious: among other things, he upended a bowl of spaghetti over one incautious candidate's head.*

Business Is Business: In Bastogne, where Nazi Germany's last-ditch attempt to avoid total defeat in World War II drained out in blood and snow, hawkers are doing a brisk business in souvenir wallets adorned with a picture of a US Sherman tank. Stamped on the back is a familiar slogan: Made in Germany.

Three Kings From the East

(*Continued from page* 29)

glimpses of a round, lined, cheerful face and a stumpy figure clad in the Laotian's baggy silken pantaloons.

Sisavang Vong has reigned for so long that he is a tradition. His son, Crown Prince Savang, who is already past forty, looks like the perfect Western gentleman. Prince Savang has wonderful projects in mind for his country. He hopes to make Luang-Prabang an international resort, world-famed for its art treasures, palaces and native entertainment. He believes Laos can become a major producer of caviar, breaking the virtual monopoly of Russia. The Mekong teems with huge fish with eggs almost identical to those of the sturgeon.

To Laos and its people the war with the Vietminh was a distant struggle which concerned them little until last spring, when suddenly they were invaded. Headlines the world over called this little country the latest victim of aggression. It was in those tragic days, when Vietminh divisions were advancing toward the capital and the airlift was bringing in French soldiers and artillery for a desperate defense, that Sisavang Vong became a hero to his people.

Crippled by rheumatism, he lay in his palace, facing the sacred hill of Pu-Sy on which the Buddha left his footprint. His government begged him to leave the city. The French, too, urgently advised him to seek refuge. But Sisavang Vong declared he would not move; he would share the fate of his people in the city of his ancestors. With a sublime faith that the enemy would be repelled, he stayed in bed.

His serenity communicated itself to the population. There was no panic in Luang-Prabang, though daily the enemy, virtually unopposed, came closer. A prophecy of the Blind Priest, the capital's most famous soothsayer, circulated in the town: the enemy would advance to within fifteen miles of Luang-Prabang, and then fall back.

A few days later, the miracle came to pass. Thirteen miles from the capital, the Vietminh invasion came to a halt, and the troops mysteriously and quietly retreated along the road they had come. Luang-Prabang was saved, and Sisavang Vong rose from his sickbed and departed for Vittel.

There is a special significance to the name Luang-Prabang. In a small room in the interior palace, carefully guarded from all harm, is a golden statue of the Buddha, twenty inches tall. This is the Prabang, the sacred Buddha of the Kingdom of a Million Elephants. The Prabang is the King's most precious possession. As long as it remains in its sanctuary, neither king nor kingdom will come to any harm. Believing this, the King had no fear.

But for all the Buddhist serenity with which Sisavang Vong met the Communist invasion, he was alive to the threat which now, as in Viet Nam and Cambodia, hangs over his peaceful kingdom. Of the three kings of Indo-China, he has most fully thrown in his lot with the French. His eyes, too, are fixed on the star of independence glowing so brightly on the eastern horizon; but, unlike Bao-Dai and Sihanouk, he sees it realized in a free French Union.

Last March Crown Prince Savang, in his father's name, issued a proclamation calling for the mobilization of Laos in a patriotic war against the Vietminh. "Until now," he said, "Laos has been an island of peace. Today the Vietminh presents a grave threat to our frontiers. But whoever the enemy may be, and wherever he may attack us, Laos will always know how to defend itself."

As much as they desire independence, King and Crown Prince see it attainable and workable only with French aid and cooperation. Moreover, government and people feel a debt of gratitude to France, which Prince Savang expressed only last July: "Sixty years ago King Oun Kham, seeing his country invaded from the east [by the Siamese], lived in anxiety, oppressed by the fear of death and the subjugation of the people under his protection. Miraculously, France came to our aid. France was our savior."

Thus, in a modern Asia scarcely favorable to the preservation of monarchy, three kings have so far been able to hold or regain their thrones. And yet their reigns are a paradox: on one hand, they need more than ever before the colonial power which has ruled them for so long, for without France they will surely fall prey to the Vietminh. On the other hand, their subjects, possessed by the fever of nationalism, demand total independence from colonial rule. If the three kings fail to reconcile these contradictions, their days are numbered.

World Business Correspondents Cable:

What's Ahead

BOMBAY – American automobile companies, now being squeezed out of India, may soon be invited back in by the Nehru government.

Indian auto tycoon G. D. Birla, maker of the Hindustan Ten (a replica of the British Morris), has been jockeying US firms out of business since 1947 in order to divide the Indian market with Premier Automobiles Lalchand Airachand (building Chryslers, Dodges and Fiats). He made the government threaten withdrawal of Ford's and General Motors' import licenses for parts unless these companies produced a mainly Indian-made car by 1954--knowing that it takes 25 years to develop an indigenous auto industry. General Motors promptly took most of its staff from its 7000-man Bombay plant and opened up next door in Pakistan, while Ford decided to hang on in the hope of a change in Indian policy.

Ford's hopes are now materializing. Oversold by Birla on the idea that speed was possible in the development of Indian manufacturing, the Nehru government has laid down a program for development of Indian transport and has given Birla twelve months to fulfill it. Hoist by his own petard, Birla is straining unsuccessfully to meet the deadline. When he fails, the Indian government may send out an S.O.S. to the American auto companies.

LONDON – Discount rumors that the Russians are trying to undermine Western currencies by selling large quantities of gold in Europe. Actually they have sold more than $60 million worth of the precious metal to obtain sterling with which to buy consumer goods for use within the Soviet and its satellites.

This is part of their attempt to quiet unrest by raising the standard of living, and so far they've bought such commodities as Dutch butter, Australian wool and British herring. It's possible that some US business interests--with blocked sterling--may take part of the gold.

TOKYO – When Mao announced recently that Russia would supply China with much of the heavy machinery needed for industrialization, the news was taken with a grain of salt. How could Russia--hard-pressed for all sorts of equipment and only beginning to expand her own consumer industry--possibly spare machinery for China?

Sale of Russian gold for sterling provides a partial answer to this question. The USSR is starting to use part of that currency to obtain machinery and machine tools in the sterling area for shipment to China.

HONG KONG – Easing of US restrictions on goods that can be sold to China met a mixed reaction here. Naturally, local businessmen were pleased at the relaxation, but at the same time doubted that the US could boast its sales to China. They feel that the Reds have found new contacts for goods--mostly in Eastern Europe--and are now making great efforts to trade with Japan and Britain. This view bears out the opinion "old China hands" expressed several years ago --that stringent US embargoes would drive China farther away from America.

WASHINGTON – The outlook for US foreign aid is not as black as the liberal press has painted it. Here's how the future stacks up:

Although the Foreign Operations Administration is liquidating its economic aid activities, FOA Chief Harold Stassen will plead vigorously for continued technical assistance for fiscal 1955.

Purpose of FOA's termination date--June 30, 1954--is to ensure drafting and passage of a better foreign aid statute to replace the patchwork affair now in force. The Senate-House conference committee provided in the latest aid bill for such a new and improved law.

Congress is expected to appropriate economic aid outlays for India, Pakistan and the Near East in addition to worldwide military aid programs; it is not expected to cut off present help for Korea, Japan and Formosa despite statements from powerful figures such as Senator Walter F. George.

Economic aid for Europe will not be a total impossibility. President Eisenhower will retain his power to transfer up to 10 per cent of one form of aid (say, military) to another (economic) within a specific area, such as Europe.

WASHINGTON – The Randall Commission on foreign trade policy will produce two reports. In the minority, surprisingly, will be the Commission's protectionist Republican Congressional members. Even so, their plea for continued US trade barriers may carry the greatest weight with

What's Ahead

Congress. Among them are men with high rank and extensive power on Capitol Hill, headed by the influential Senator Eugene D. Millikin, chairman of the Senate Finance Committee and the Senate Majority Conference.

BRUSSELS – The end of the European Payments Union may be in the offing, according to Continental banking sources. They believe that Germany--with a balance of $700 million--will no longer accept 50 percent payment in gold and 50 percent in EPU credits for new transactions. If EPU won't allow a higher ratio of gold paid out, it's considered likely that the Germans will leave the Union early in the summer and that Britain, Holland, Belgium and Switzerland will go along.

Several years ago, when Belgium was almost the only member nation in a strong position, EPU refused to up the ratio of gold payments and Belgium stayed in the Union--mainly because trade conditions were still too unstable to allow her to go it alone.

Now the situation has changed and, with balance of payments in better shape, the stronger nations are moving slowly to convertibility. They may be willing (or even eager) to scrap the EPU and get actual cash on the line for their transactions. They believe they can work out credit arrangements with debtor nations on an individual basis that will be more satisfactory, at least to the strong nations.

JAKARTA – Contradictions in US economic policy for Indonesia have given its already left-wing government the excuse they want in order to increase trade with China.

The US need for rubber has been reduced in recent months--leading to cuts in buying here--but the Eisenhower administration still doesn't want the Indonesians to sell to Peking. If the US won't buy, the Indonesians claim, the only customer big enough to take local production is Mao. Angered by both lower US buying and demands that Indonesia stop being so cooperative with Peking, the Indonesians have sent their first envoy to China. That rubber-hungry country is sure to welcome him with open arms.

NEW YORK – Foreign trade authorities here give three reasons for their belief that the Great Debate on US trade policy will result in a deadlock, with tariffs remaining substantially as they are:

1. To retain the razor-thin GOP majority in Congress, President Eisenhower will forgo the attempt to push tariff reduction down the throats of such protectionists as Representative Richard Simpson, head of the House Republican Congressional Campaign Committee.

2. With US business predicting good times in 1954, the expected pressure for increased protection after a recession won't materialize.

3. The Administration's enthusiasm for a more liberal trade policy has waned with the knowledge that Europeans would be satisfied with the present policy if assured that it would not change for the worse. The President may thus decide to aim principally at abolition of the escape clauses in the present tariff law that permit sudden increases in duties and embargoes.

PARIS – A "Schuman Plan" for the European automobile industry is taking definite shape within the Organization for European Economic Cooperation (OEEC). The idea is to integrate European auto manufacture in the same manner as the coal and steel industries.

This would create a pool of West German, French, Italian and Benelux car production, to be marketed on a "European basis." If the plan goes into effect it would present quite a challenge to US and British auto makers because it would give each participating nation a share in an open market with selling done on a much broader set-up than has ever existed for them.

The hitch is that German and Italian cars are currently underselling French vehicles (due to high French costs and lower productivity). The Germans and Italians will probably take a lot of convincing to bring them into the plan.

OEEC officials are hopeful about the idea since they feel the six nations will see that an "All-European" car sold on an "All-European" basis will increase their sales.

WASHINGTON – John H. Davis, tagged as the most likely successor to Ezra T. Benson as Secretary of Agriculture, doesn't hold with Benson's liberal views on foreign trade. The present Secretary has been aware that the US can't export if it won't import. Davis, currently assistant secretary for the Foreign Agricultural Service, used to be director of the National Wool Marketing Corporation, and in that capacity favored restrictions on wool imports.

Since coming to Washington he has continued to back protection for the wool producers while at the same time advocating sale of American cotton, wheat and other basic crops abroad. He never explained how high tariffs would permit foreign nations to earn the dollars necessary to buy US agricultural surplus.

It's your battle banner

...keep it flying!

LOOK WELL AT THIS BANNER—under the cancer sword millions of Americans have joined a proud army of dedicated cancer fighters—doctors, chemists, physicists, biologists—and men and women of all walks of life.

The cancer sword is unique . . . for it represents the American Cancer Society, the only voluntary health agency in our country devoted entirely to the conquest of cancer through *research, education,* and *service.*

Research holds the key that will unlock cancer's secrets. That's why the ACS puts 25 cents of every dollar you give to laboratory studies. *Give now for more cancer research!*

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You can help keep the banner flying. Give generously to the 1953 cancer crusade. Any contribution is welcome. You *will* help, won't you?

American Cancer Society

AMERICAN CANCER SOCIETY

Gentlemen: Please send me free literature about cancer.

Enclosed is my contribution of $..... to the cancer crusade.

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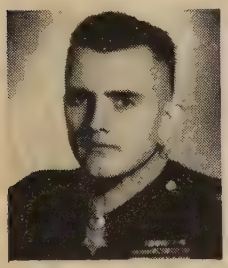

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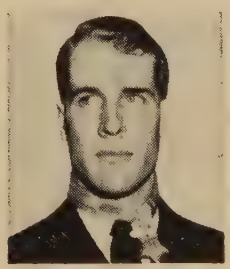

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Capt. Lewis L. Millett
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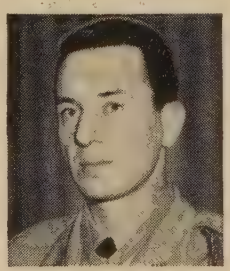

Capt. Raymond Harvey
USA

In all, 104 men have won the Medal of Honor in Korea. The men here stand as representatives of them—and of all the service men and women to whose devotion we in America owe our security this Christmas of 1953.

Peace...
their Christmas Wish for us!

THESE are some of the bravest men on earth.

Yet these young holders of the Medal of Honor were never fighters for the love of fighting. They are men of war with a dream of peace.

They want a world in which small wide eyes can gaze in rapture at a tinselled tree. Where a happy Christmas is a child's inalienable right—because fear and force have at last given way to peace and law and goodwill.

They have fought ably for peace, with courage "above and beyond the call of duty." Can we, at home, do something for it, too?

Yes. Beginning now, each of us who earns can put some part of his earnings into United States Defense Bonds. For by these Bonds we make our own families secure, first of all. Then, out of the security of our families, we build the strength of America—to *stay* at peace in a world where peace still is only for the strong.

★ ★ ★

You can invest in Defense Bonds *best* through the Payroll Savings Plan where you work or the Bond-A-Month Plan where you bank. Won't you begin—today?

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World

America's Magazine of World Events

Vol. 1, No. 4.
Dec. 10, 1953

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This **World=Cable** is an exclusive international news service for the subscribers of WORLD.

Why was the first Soviet reaction to President Eisenhower's new proposal for peaceful international atomic development a fast rejection of the whole principle?

In the opinion of experienced UN diplomats, Moscow was in a hurry because with every passing hour the President's message, if not counteracted, might have penetrated more deeply the consciousness of people everywhere, creating a climate of world opinion overwhelmingly favorable to the US offer.

According to these diplomats, the speech's political significance may be summed up in the following five points:

1. To the American people: We have atomic superiority, but it would be vain to bank on it alone. Let us see if there is still hope of inducing the Kremlin to act reasonably.

2. To the Russian people: America is eager to lay the groundwork for a peaceful coexistence. The Republican Administration is an administration of peace.

3. To the underdeveloped and neutral nations: Their interest will not be overlooked or sacrificed indefinitely because of the cold war. They are not merely potential military allies (or opponents) but their needs are appreciated il their own rights.

4. To the United Nations: The world organization is still the forum for basic international agreements, even if these are reached not through open debates but more subtle and more classic diplomatic methods.

5. To the free world: The mantle of leadership has passed from Sir Winston Churchill to Dwight D. Eisenhower.

This message and initiative the Kremlin could vitiate only by rejecting the validity of the concept on which it is based. The intention is evident. Moscow wishes to persuade the world that only its own plans can lead to any kind of international agreement. This augurs rather badly for even a slight measure of success in the coming Berlin conference.

* * * * * *

The President's UN speech completely overshadowed the Bermuda conference—which was not too difficult a feat.

"The boredom at Bermuda has been so thick that you could cut it with a hammer and sickle," one of French Foreign Minister Bidault's aides remarked on the closing day.

What he meant was this: The three Western partners, Eisenhower, Churchill and Laniel, sat around for days without being able to devise new approaches to their common problems—because there was no new premise on which to base them.

Last spring, when Churchill first proposed the conference, there was such a new premise—what Sir Winston called a new wind blowing from the steppes, by which he meant a possibly more amenable attitude on the part of the post-Stalin Kremlin.

When, a few weeks ago, Moscow rejected an invitation to a Lugano foreign ministers'

meeting, a fruitful subject for a conference on strategy again came into existence—the necessity for agreeing on a common attitude toward Soviet negativism.

But Molotov's latest note, by agreeing that the foreign ministers should meet, this time in Berlin, created a vacuum around the Mid-Ocean Club conference table. For it made it necessary to defer until after the Berlin talks any agreement on French ratification of, and West German participation in, EDC—and thus eliminated the major subject on which fruitful discussion had been possible.

Bermuda, as the vague and disappointing closing communique indicated, was no more than the waiting room for the Berlin express.

In this sense, therefore, the initiative was—and still is—in the hands of the man who wasn't there; the shrewd and stubborn Soviet Foreign Minister.

While this initiative is negative in nature—it offers no untried ideas or methods for resolving East-West differences—the text and timing of the note have made one thing clear, that the Kremlin's policy now is containment in reverse.

It wants to freeze the present international uncertainty until the psychological and economic pressures on America's allies softens them into making significant concessions to the Russians. Western European public opinion has been much less conscious of the realities of the cold war than has public opinion in the U.S. Also, Western Europe can support the economic burdens of the cold war much less easily than can America. In these circumstances, the Kremlin, convinced that time is on its side, sees no urgency for coming to grips with specific problems. Berlin, consequently, can hardly amount to more than another stage in the softening-up process.

* * * * * *

Paris political circles say that, so far as France is concerned, Bermuda could not have aided Soviet plans better if Molotov himself had drawn up the conference agenda.

The French are bitterly resentful because Bermuda failed to produce the Anglo-American military guarantees indispensable for ratification of EDC by the National Assembly, and also because Eisenhower and Churchill reportedly ran roughshod over the objections of Laniel and Bidault in choosing January 4 as the opening day of the proposed Berlin talks.

Since the present Cabinet must resign by January 17, when the new French President takes office, this means that Paris can send to Berlin only a "caretaker" representative who will be unable to make any firm commitments, and consequently will have little effective voice in the proceedings.

French leaders openly express the hope that Moscow, in its reply, will set a later date.

Failure of the US and Great Britain to provide the desired military guarantees has greatly strengthened those who insist that France's only alternative—to ensure the containment of a rearmed Germany—is to revive its wartime alliances with the USSR, Poland and Czechoslovakia.

In these circumstances, Paris observers expect Molotov at Berlin to make a supreme effort to drive a wedge between France and its allies—and block French ratification of EDC—by accepting free elections for all Germany under four-power supervision. The Assembly majority would welcome such a proposal, and consequently no French representative would dare turn it down.

The French are virtually unanimous in the belief that the USSR, deterred by the enormous nuclear resources of the US, is no longer a serious threat to Western Europe, while a re-

vived and rearmed Germany will menace France's very existence. The general opinion is that the "essentially militaristic German nature, unchanged by defeat and foreign occupation, is bound to pierce through and destroy the thin existing veneer of democracy as soon as Chancellor Adenauer dies."

* * * * * *

Absence from the Bermuda communique of any mention of the possibility of Communist China's receiving UN membership and US recognition was of some comfort to Nationalist Chinese President Chiang Kai-shek and South Korean President Syngman Rhee, whose recent Formosa visit undoubtedly was inspired by fear of such an eventuality.

But this was counterbalanced by the Allied insistence that "our policy continues to be the convening of the political conference" to "provide the means for reaching a peaceful settlement" in Korea and the rest of the Far East.

This apparently rules out any possibility that Rhee and Chiang would receive UN or US support in any military adventure against Peking, but the two aging leaders, for whom time is running out, are reported preparing to gamble on an attack anyway in the belief that the powerful "China lobby" in America can force Washington to come to their rescue.

Informed quarters insist that during their Formosa talks the two reached a secret military agreement calling for joint action following the expiration of the Korean armistice, January 22, with Nationalist troops either proceeding to Korea to join the ROK forces in a drive northward or making their own attempt to invade the Chinese mainland by sea.

But implementation of the plan hinges on US assistance when the time comes—and the consensus is that such aid will NOT be forthcoming.

Opposition to Rhee's visit and to the agreement by Dr. Wang Shih-chieh, secretary general to Chiang and the chief moderate among the Nationalist leaders, caused the recent political flurry during which most of the Nationalist Cabinet threatened to resign.

But Chiang, influenced by his fire-eating son, Defense Minister General Chiang Ching-kuo, the most ardent champion of an invasion attempt, and his wife, who dislikes Wang for personal reasons, "persuaded" the recalcitrant cabinet members to remain, and ousted Wang.

* * * * * *

Bermuda, in Yugoslav eyes, was important only as a preliminary to the Berlin meeting, which could, according to Tito's top foreign policy advisers, open the way to a genuine—even if temporary—relaxation of international tension.

But the Belgrade experts warn that the Allies must enter the talks with their eyes wide open to the fact that, while Soviet tactics have become more fluid to meet the changed international situation, Moscow's long-term objectives remain unchanged. According to them, "it is still a cold war, but one which Moscow is conducting more and more flexibly."

What Malenkov will seek at Berlin, they predict, is an agreement in vague, general terms which will commit the USSR to nothing permanent but will give the Kremlin relief from Western pressure while it seeks to split the US and its allies by preaching "national freedom," "workers' unity" and neutralism in general.

To meet this, they add, the West—and particularly the US—must adopt equally flexible tactics and must work for "realistic" objectives. It is completely useless, they insist, to expect the USSR to "surrender unconditionally" by demanding, as Senate Majority Leader Knowland did recently, that "Russia abandon not only Eastern Europe but the Baltic states as well."

BUSINESS AND ECONOMIC EVENTS OF THE HOUR:

The position of the Eisenhower administration—that the US could not contribute to any new international development funds—was dramatically reversed in the President's speech to the UN on atomic energy.

Back on October 14, US alternate-delegate James D. Zellerbach told the UN Economic and Financial Committee that this country could not subscribe to any new aid plans in advance of general disarmament. In his speech, the President proposed that the UN immediately set up an Atomic Energy Agency that would receive fissionable material from producer countries to be used in developing agricultural, medical and electrical resources. When that program was under way, disarmament discussions would start. Eisenhower made it clear that any partner would find the US a "not unreasonable or ungenerous associate."

* * * * * *

To Southeast Asians, solution of their tremendous economic problems is more vital than the military-political measures emphasized by the Western allies. Among the problems are the slump in demand for rubber and tin and the bumper rice crops, which are causing a marked drop in national income for such key nations as Indonesia, Thailand, Burma, and Malaya.

Less defense aid and more economic aid is the only answer, according to these sources, if further trade agreements like the one Indonesia recently signed with China are to be headed off. If the West does not come up with some program that will absorb the products of the area, the producer nations will be forced—whether they like it or not—to increase their trade with the Communists, who are eager to buy many of the commodities in question. Part of the willingness to buy these surplus products is based on actual need, but much of the Reds' interest can be traced to the fact that if they do become Southeast Asia's best customer it will be a lot easier to exert political control there.

* * * * * *

Mao is using economic strategy to bind North Korea to China. The recent trip by North Korea's Marshal Kim Il Sung to Peking resulted in a ten-year treaty under which China will develop transportation, communications, light industry and agriculture north of the 38th Parallel. Apparently the Russians will concentrate their aid in the field of heavy industry.

In addition to the long range development program, China will supply emergency items needed immediately, such as foodstuffs and consumer building materials.

* * * * * *

West German industrialists are unlimbering their guns in defense of cartels. The first blast was directed at Ludwig Erhard, Minister of Economics in Bonn, who wants to maintain the anti-cartel decrees imposed by the Allied occupation. Most outspoken among sharp opponents of any new anti-cartel law is Fritz Berg, president of the association of German industrialists. Berg insists that not cartels, but their misuse, should be attacked.

* * * * * *

A Cologne banker and intimate of Chancellor Adenauer, Robert Pferdmenges, has declared that West German's housing shortage can be licked by private enterprise and capital without present state subsidies, provided rentals are doubled. He also demands tax alleviation for stockholders and abolition of tax-free exemptions for life insurance payments. Pferdmenges' challenge to the prevailing philosophy of government intervention is a seriously disturbing element in the present Adenauer coalition.

The Editors

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